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DPRK UN Delegate Discloses Stance on Talks

OW3007034594 Tokyo KYODO in English 0324 GMT 30 Jul 94

[Text] New York, July 29 KYODO—A North Korean delegate to the United Nations voiced optimistic prospects Friday [29 July] for U.S.-N. Korea high-level talks scheduled to resume Aug. 5.

The diplomat at the North Korean permanent mission to the UN said on condition of anonymity, "a breakthrough was accomplished by talks between former U.S. President Jimmy Carter and the late President Kim Il-song. What we are going to do is the finish. There is no need to worry."

It was the first time for a North Korean official to disclose Pyongyang's stance on the U.S.-N. Korea high-level talks following the death of president Kim Il-song on July 8. The delegate also called for the United States to promise Pyongyang assistance in building a light-water reactor during the talks.

He said the U.S. assistance will be the most important issue and serve as a test for progress in the talks. "The North Korean Government has decided to give up and destroy the current graphite- moderated reactor system if the U.S. guarantees to assist in building a light water reactor," he said. He also said if the U.S. helps Pyongyang, the U.S. will prove it has no intention to suppress North Korea. The diplomat also stressed North Korea's scrapping of the graphite-moderated reactor, which produces more plutonium, will prove it has no desire or capability to develop nuclear arms.

U.S. Assistant Secretary of State Robert Gallucci said in Tokyo last week that talks with North Korea will focus on Pyongyang's request for help in building a light-water reactor in return for freezing its nuclear program. Gallucci is the chief U.S. negotiator with North Korea.

The North Korean official also said Kim Il-song's son and heir apparent Kim Chong-il has so far supervised negotiations with the U.S. He said there is no fear that North Korea's policy toward the U.S. will suddenly change after the death of Kim Il-song. He also disclosed Pyongyang has no intention to reprocess spent fuel rods currently preserved in a storage pond. The rods reportedly contain plutonium capable of producing several nuclear bombs.

Comments on Nuclear Arms Issue

OW3007132794 Tokyo YOMIURI SHIMBUN in Japanese 30 Jul 94 Morning Edition p 5

[By Kunihiko Yamaoka]

[Text] New York, 28 Jul—A source at the North Korean mission at the United Nations said on 28 July that "the nuclear issue of the past will naturally be solved if the light water reactor issue is settled." The source commented on the quantity of plutonium extracted in the past, over which North Korea and the International Atomic Energy Agency (IAEA) are sharply divided, and disclosed North Korea's intention to accept a demand to disclose data, which have never been disclosed before, if the United States guarantees supply of light water reactor at the third U.S.-North Korean high-level talks, which will be resumed on 5 August.

North Korea notified the IAEA that it had extracted "90 grams" [as received] of plutonium. But the United States and other countries estimate that North Korea already has 10-20 kg of plutonium, which is enough to produce one or two nuclear bombs. The North Korean source said: "We can establish fiduciary [shinrai kankei] relationship with the United States if it shows its intention to supply light water reactor, which costs several billion dollars, to North Korea. If that is the case, the plutonium issue will naturally be solved."

PRC's Qian Discusses Trade, Cambodia, Korea

BK2807154994 Bangkok ZHONG HUA RIBAO in Chinese 25 Jul 94 p 8

[Text] At the ASEAN-China consultation session held on 23 July, Chinese Foreign Minister Qian Qichen expressed the hope that trade volume between China and ASEAN countries would increase in the future. He also held that the Cambodian issue should be resolved by the Cambodians themselves.

Those attending the consultation were Brunei Foreign Minister Prince Mohamed Bolkiah, Chinese Foreign Minister Qian Qichen, Thai Deputy Foreign Minister Surin Phitsuwan, and ASEAN Secretary General Ajit Singh.

The Chinese foreign minister said that he was glad to see the continuous development of trade relations between ASEAN and China in recent years. He hoped that the Joint Committee on Economic and Trade Cooperation and the Joint Committee on Scientific and Technological Cooperation would help increase bilateral trade between ASEAN and China. The two sides maintained that the Cambodian issue should be resolved by the Cambodians themselves without any external influence. They reaffirmed that national reconciliation is an important target for solving the Cambodian problem.

Both ASEAN and China agreed that the ASEAN Regional Forum will be an important arena for exchanging views on regional security and promoting mutual understanding. The two sides expressed the hope that all sides concerned will continue their dialogue to solve the Korean nuclear problem.

Annual South Pacific Forum Held in Brisbane

Australia Suggests 'New Order'

BK2807014794 Hong Kong AFP in English 0113 GMT 28 Jul 94

[By Michael Field]

[Text] Auckland, July 28 (AFP)—Australia will try to impose a new order on the 15 mostly microstates that meet in Brisbane next week for their annual and sometimes rambling South Pacific Forum.

Diplomatic sources here say Australia wants to shorten up the forum, give them a new focus and limit the tradition of issuing a communique that touches base on virtually every international issue.

Two years ago the Pacific states intoned on "the question of Western Sahara."

However, Australia may only partially get its way, as the 13 island leaders view the communique as their only opportunity to make their voice heard on the world stage.

There is some Pacific support for changes to a forum that has met annually for 25 years, and after the Nauru forum last year a committee was set up to review its operations. Australia has taken the lead by cutting the meetings from three days to two and running it with a theme, "Managing our Resources."

Several leaders will give keynote addresses on logging, fishing, tourism and land use, but the dominating issue will be the lamentable state of Pacific economies.

Earlier this year, the United States said it would close its Agency for International Development Pacific operations, and Britain has said it will stop providing funding for the Noumea-based South Pacific Commission.

Neither the US nor Britain had been significant donors, but their pull-out is seen as a warning of worse things to come as island nations unsuccessfully compete for a share of the world aid pool.

Most of the drive toward economic reality comes from Australian Pacific Affairs Minister Gordon Bilney, who has put a major effort into talking with most Pacific leaders. In June he spelled out his view that all was not well with what he called the "Pacific paradox."

"It is unfortunately the case that over the past decade most Pacific Island countries have achieved only slow growth in real per capita incomes despite a generally favourable natural and human resource endowment, high levels of external assistance and generally sound economic management," he said.

He quoted from a 1993 World Bank study which found that real gross national product in island countries had grown by an average of only about 0.1 percent annually over the previous 10 years.

"The lack of economic development, when combined with high population growth rates, unsustainable exploitation of natural resources and rapidly rising community expectations, has led to a growing range of social and economic problems, including permanent environmental degradation.

Already in some areas of the region, health and general living standards appear to be declining and community services are under strain," he said.

He called for sound national policies to address priority environmental issues such as population growth, fisheries, logging and coastal zone management. No amount of aid will bring about sustainable development.

Another regional body, the Hawaii-based Pacific Island Conference has called for economic development to take into account traditional culture, but Bilney argues that investors and aid donors will only come in depending on how "well individual countries formulate and implement the economic and structural reforms necessary for sustainable economic development ...," he said.

"I would also question whether the unsustainable exploitation of resources, which is currently occurring in some countries and which will leave future generations with a legacy of permanent environmental damage and reduced economic prospects, is in line with these traditional values," Bilney said.

PNG's Wingti on Peacekeeping Force

BK0108085994 Melbourne Radio Australia in English 0500 GMT 1 Aug 94

[Text] Papua New Guinea's [PNG] prime minister, Paias Wingti, has backed away from the idea of a regional peacekeeping force to help resolve the conflict on the island of Bougainville. Erina Reddan reports from the South Pacific Forum in Brisbane, which PNG and 14 other island nations are attending:

[Begin Reddan recording] Deputy Prime Minister Sir Julius Chan recently made a swing through the South Pacific asking Fiji, Vanuatu, and Tonga to contribute to a regional peacekeeping force on Bougainville. The idea was well received and understood to be for a substantial period of time. The force was to secure peace in the run-up to the proposed pan-Bougainville summit, bringing rebels, the PNG Government, and other Bougainvillians together. But now Prime Minister Paias Winti has toned down that proposal, saying that the peacekeeping force will be needed only for 24 to 48-hour period to cover the duration of the talks. [end recording]

Agreement on Forests, Fisheries

LD0108121794 Melbourne Radio Australia in English 1100 GMT 1 Aug 94

[Text] South Pacific Forum leaders, meeting in Brisbane, have agreed to take action to protect the region's fisheries and forests. Alexandra Kirk reports that one of the first outcomes of the meeting of the 15 island nations is a deal to combat what has been described as environmental piracy in the Solomon Islands.

[Begin Kirk recording] The forum strongly criticized exploitation of tropical forests. In a special [words indistinct] the Solomon Islands has suspended the licence of a foreign company for allegedly logging illegally. Australia will provide two million [Australian] dollars in a structural adjustment program if the island's government bans logging around the Marovo lagoon, including an environmental study to encourage sensitive tourism industry. The forum agreed to develop a multilateral negotiating regime for access to the Pacific's fisheries to increase returns to the island nations, and the leaders have agreed to look at rationalizing the region's air services in a bid to stem airline losses. [end recording]

States Seek Forest Management Aid

BK0108084494 Melbourne Radio Australia in English 0100 GMT 1 Aug 94

[Text] Pacific island nations say they need financial assistance from Australia if they are to stop mass destruction of their tropical rain forests. Alexandra Kirk reports island leaders meeting at the 25th South Pacific Forum in Brisbane agree with Australia's call for better forest management, but say they cannot do it on their own:

[Begin recording] [Kirk] Forum host Prime Minister Paul Keating said urgent actions are needed to stop unsustainable logging, to boost return for the use of fisheries, and better manage natural resources. There is general agreement on the need for change. The Solomon Islands say they have the will and desire to do something positive but that is not enough, calling for urgent financial assistance, and Papua New Guinea's [PNG] prime minister, Paias Wingti, has welcomed move to adopt the regional management plan to stop the exploitation of Melanesian forests.

[Wingti] PNG would consider participating, but at the same time we must be compensated meaningfully for foregoing certain foreign exchange and income for the country. [end recording]

Officials 'Map Out' SRV ASEAN Entry

BK2807030794 Bangkok BANGKOK POST in English 28 Jul 94 p 1

[Text] Senior ASEAN and Vietnamese officials yesterday began to map out Vietnam's quick entry into ASEAN.

The move was in quick response to calls made at the ASEAN foreign ministers meeting.

Vietnamese Deputy Foreign Minister Vu Khoan said his country hoped to complete ASEAN requirements and submit a formal application for membership at next year's meetings in Brunei.

At yesterday's session, Vietnam asked ASEAN to send all documents it would have to complete before and after membership.

Documents to be studied by Vietnam include the ASEAN Free Trade Agreement, the ASEAN Fund, ASEAN Secretariat and a series of agreements ASEAN has with dialogue partners Australia, Canada, the European-Union, Japan, Korea, New Zealand and the United States.

"It's really up to them how soon they can finish the paper work. There's no point setting a timetable," said Philippine Undersecretary Rodolfo Severimo.

Vietnam also asked for the minutes of meetings, which occur about 200 times a year.

And it asked how much ASEAN members would have to contribute.

Although the ASEAN Secretariat will respond to most of these technical aspects, senior ASEAN and Vietnamese officials also agreed yesterday to have another official meeting, probably in Brunei, before the next annual ASEAN Ministerial Meeting, according to both Mr Vu Khoan and Mr Severino.

Vietnam, which has indicated it wants to join ASEAN as soon as possible, has asked other rich nations to assist its preparations for membership.

Foreign Minister Nguyen Manh Cam asked Canada for help at the ASEAN Regional Forum, which he attended as observer of the organisation for a second time.

Canadian Foreign Minister Andre Ouellet said yesterday both Mr Cam and Lao Foreign Minister Somsavat Lengsavat, whom he met with separately in Bangkok, had come up with similar requests to prepare themselves for ASEAN membership.

Mr Ouellet said Canada was prepared to give modest yet efficient assistance to Vietnam, Laos and Cambodia—all scenes for peace mediation during the war of the International Control Commission in which Canada played an active role. [sentence as published]

According to Mr Ouellet, Vietnam and Laos said they wanted English language training for officials, as well as help in current efforts to establish a reliable and stable public service apparatus.

Meanwhile, Mr Cam had a brief meeting here yesterday with Japanese Foreign Minister Yohei Kono.

Japanese Prime Minister Tomiichi Murayama will visit Vietnam late next month, the first Japanese head of government to do so since the two countries established diplomatic relations.

Thirteen Projects Slated for Growth Triangle

BK2807101794 Bangkok BANGKOK POST in English 28 Jul 94 p 16

[Text] Thailand, Malaysia and Indonesia have agreed to jointly develop 13 agricultural projects as part of the Indonesia-Malaysia- Thailand Growth Triangle programme.

According to Dr Amphon Kittiamphon, chief of the Foreign Agricultural Economics Policy Section, the 13 projects will be funded by the Asian Development Bank.

Some of the 13 projects include:

—Joint marine fisheries development
—Fish canning in Sumatra
—Sumateran integrated agri-business development
—Joint ventures in fruit and vegetable canning processing
—Sumateran parawood
—North Sumateran swine production for export
—Rubber quality improvement
—Thai-Malaysian border wholesale food and vegetable market
—Malaysian abolition of fruit and vegetable duties
—abolition of Thai palm oil ban

Consensus to jointly develop the projects was reached during the recent meeting in the Philippines. Each country will subsequently conduct further studies on the details and practicalities of the projects and will submit them in the next meeting.

The jointly-held principle, on which the selection of industries to be promoted will be based on, is that members will fully cooperate in creating the most accommodating environment for investment in the Growth Triangle, given the natural resources, infrastructure, and labour in the area of development, said Dr Amphon.

According to the ADB's proposal, the projected preliminary policy and project prioritisation outcome was as follows: direct economic effects (25 percent); indirect economic effects (15 percent); likely private profit (15 percent); social impact (15 percent); technical complexity (10 percent); environmental effects (10 percent); and risk (10 percent).

Dr Amphon said Thailand had noted that the agro-industry could be realised only when the regulations on agricultural product shipping of the three countries were standardised.

So far, Thailand claimed that Malaysia had relied solely on its allegedly strict inspection standards and obstructed the shipping of Thai products.

As for joint livestock development, Dr Ampon said Thailand would propose a disease-free zone.

More cooperation was also called for in continued joint efforts in improving the tripartite fisheries. The three parties ought to survey the marine life resources in the entire Triangle region. A development plan which could be implemented on a permanent basis ought to be determined as well as the long-term effects on production and trade.

Another issue to be considered is the establishment of a joint export market where the three participants could standardise and up- grade the product quality for export outside ASEAN, such as for Japan and the European Union.

Anti-DPRK Reunification Group Head Interview

OW3007050594 Tokyo SANKEI SHIMBUN in Japanese 29 Jul 94 Morning Edition p 4

[Interview with Pak Kap-tong, chairman of the Democratic Salvation Front for Reunification of Korea, an organization composed of North Korean fugitives, by SANKEI SHIMBUN reporter Kazumi Osawa; place and date not given]

[Text] [Pak Kap-tong] Judging from the fact Secretary Kim Chong-il was absent from the central report meeting marking the 41st anniversary of the "victory in the fatherland liberation war," I presume the North Korean Government is in internal disorder.

I paid attention to the fact Vice President Kim Yong-chu and Kim Song-ae, wife of the late Kim Il-song, returned to the government last June. Before that, Vice President Kim Yong-chu had been banished to Hamgyongbukto for 18 years. Kim Song-ae had lived apart from the late Kim Il-song for 13 years.

Discord between Kim Il-song and Kim Chong-il surfaced last June, and I believe the underlying reason was that in the wake of Secretary Kim Chong-il's failure to make his economic measures a success, President Kim Il-song directed him to manage the political situation along with Kim Yong-chu and Kim Song-ae. In other words, President Kim Il-song wanted his wife Kim Song-ae to manage politics and Kim Yong-chu to take care of the Korean Workers Party [WPK].

This is supported by the fact Secretary Kim Chong-il attended the state funeral for Kim Il-song only as supreme commander of the Korean People's Army, not as a member of the Standing Committee of the WPK Political Bureau. On the contrary, Minister of the People's Armed Forces O Chin-u attended the funeral with the title of Standing Committee member. Since membership of the Standing Committee is held by only three men—Kim Il-song, Kim Chong-il, and O Chin-u—Secretary Kim Chong-il may have lost membership.

According to information I have obtained, President Kim Il-song visited Hamgyongnamdo on 7 July, the day before his death, and he reportedly looked very healthy. For this reason, I doubt the veracity of the North Korean Government's announcement that President Kim Il-song died of natural causes.

Taiwan Official on Investment in Southeast Asia

BK2707011594 Jakarta ANTARA in English 1050 GMT 26 Jul 94

[Text] Jakarta, Jul 25 (OANA/ANTARA)—Indonesia has become more a prominent attraction to Taiwan's investors seen from the total approved investment which amounted to U.S. $8.68 billion up to the end of May this year.

In 1993 Taiwan was the third biggest foreign investor in Indonesia with an investment worth U.S. $4.03 billion, Taipei Economic and Trade Office's Information Division said in a press release Tuesday.

In Southeast Asia. Taiwan invested a total of U.S. $16.46 billion last year, including U.S. $5.9 billion in Malaysia, U.S. $4.5 billion in Thailand, U.S. $1.5 billion in Vietnam, U.S. $440 million in the Philippines and U.S. $90 million in Singapore.

To further promote ASEAN, especially its ASEAN Free Trade Area (AFTA), ASEAN (Association of Southeast Asian Nations) which groups Indonesia, Brunei Darussalam, Malaysia, Thailand, the Philippines, and Singapore has agreed to hold an investment seminar in Taipei, according to the Industrial Development and Investment Centre of Taiwan's Ministry of Economic Affairs (MOEA) recently.

The ASEAN seminar is scheduled for early next year, said MOEA.

Japanese Firms: Malaysia Losing Edge to China

OW2607110094 Tokyo KYODO in English 1039 GMT 26 Jul 94

[Text] Kuala Lumpur, July 26 KYODO—A survey of Japanese firms in Malaysia released Tuesday [26 July] shows 71 percent believe Malaysia will lose its luster to China by the year 2000 unless it improves investment incentives, reduces a chronic labor shortage, keeps wages low and frees up trade.

The survey of 161 Japanese companies by the Japanese Chamber of Trade and Industry in Malaysia cited China's advantages as having an ample, diligent and skilled labor force, a huge consumer market, lower operating costs and more attractive investment incentives.

A report on the findings, the first survey by the chamber comparing the investment potentials of Malaysia, China and other Asian countries, was released at the two-day 17th annual conference of the Japan-Malaysia Joint Economic Associations, which opened Tuesday at the Genting Highlands Hill Resort near Kuala Lumpur.

The findings come at a time when new Japanese direct foreign investments in Malaysia plunged by half last year to 573 million dollars from 1992. Japanese investments in China last year exceeded investments in Malaysia for the first time. "Notwithstanding its unstable political situation and undeveloped infrastructure compared to Malaysia, this shift toward China can be attributed to its allure as a consumer market and its vast pool of labor—a sharp contrast to Malaysia's labor shortage and rising wages," the report said.

Malaysia and other prospering Southeast Asian countries whose economies were buoyed by a wave of Japanese investment in the past two decades, are increasingly concerned about investments being diverted to China and the IndoChinese countries where labor costs are much lower. "We are afraid that if your country adopts a policy that dampens incentives for foreign investments, this policy may profit other countries which are currently in a competitive position with your country," said Masami Ishii, president of the Japanese association and senior adviser to Mitsui and Co.

About 200 delegates comprising top corporate representatives, are attending the meeting, which is a forum for the respective private sectors to exchange views and help resolve impediments to greater economic cooperation. Japanese companies named the top three obstacles to doing business in Malaysia as the worsening labor shortage, a lack of proper industrial waste disposal and rising wages due to job-hopping. Other problems faced by Japanese firms are unclear government policies that can affect decisions on future investments, increasing infrastructure bottlenecks, local content requirements, and quotas on Japanese personnel working in Malaysia.

The Malaysian private sector listed the country's worsening trade deficit with Japan, which last year amounted to 6.3 billion dollars, as a major problem that needs to be rectified through greater Japanese imports of Malaysian products. The Malaysian private sector would also like to see increased high-technology transfers, more Malaysians promoted to senior posts in Japanese companies, Malaysian-Japanese joint ventures in third countries, and greater cooperation in the services sector.

Japan

Continued Reports on Procurement Talks With U.S.

Hayashi Expected To Offer New Proposals

OW2907160094 Tokyo KYODO in English 1528 GMT 29 Jul 94

[Text] Washington, July 29 KYODO—Senior officials from Japan and the United States opened trade talks Friday [29 July] morning in a bid to ward off potential U.S. trade sanctions over Japanese Government procurement practices.

The trade negotiators—headed by Japanese Deputy Foreign Minister Sadayuki Hayashi and deputy U.S. Trade Representative Charlene Barshevsky—have until midnight Sunday to find a solution or face possible U.S. retaliation under a deadline set by Washington.

Hayashi refused to comment on the prospects of the negotiations when he arrived at the U.S. Trade Representative's office shortly past 10:30 a.m.

"They are the kind of talks that have another side," he told reporters as he went into the building.

Before heading into Friday's plenary session, Hayashi and Barshevsky met one-on-one Thursday night for what was described as an informal session to discuss procedural matters.

While the outcome of the negotiations was uncertain, a senior Japanese official suggested in Tokyo that a settlement was possible.

"Both sides are narrowing their gaps," Japan's Finance Minister Masayoshi Takemura told reporters Friday.

Other Japanese officials were less certain of the prospects of the trade talks, which are being watched closely by financial markets for signs of the future shape of trade ties between the world's two largest economies.

"I am neither optimistic nor pessimistic," Japan's International Trade and Industry Minister Ryutaro Hashimoto said.

One thing, however, is certain: The Japanese Government wants to avert what could be a sharp deterioration of trade ties with the U.S. that could push the yen further up against the dollar and dampen Japan's economic recovery.

As the Japanese and U.S. negotiators set out for the make-or-break round of trade talks in Washington, Japan's Prime Minister Tomiichi Murayama summoned his economic ministers for a meeting in Tokyo on Friday.

Hashimoto told reporters later that the Japanese Government will "maximize" its efforts to bring trade talks in Washington to a successful conclusion.

At issue is Washington's charge that U.S. firms face discrimination in bidding for Japanese Government contracts on telecommunications and medical equipment under current procurement regulations.

According to Japanese Government sources in Tokyo, Hayashi was expected to offer new proposals designed to ease the entry of foreign firms into the Japanese Government procurement market.

One proposal is that major government entities will brief both Japanese and foreign firms every year on their procurement plans and seek advice from foreign firms before they set technical specifications on telecommunications and medical equipment to be purchased by the government, the sources said.

Japan also plans to offer a lower threshold on the value of government contracts that would be open to international bids, the sources said.

The talks in Washington came only four days after the two sides had an extensive negotiation session in Hong Kong.

Barshevsky told reporters in a break during a congressional hearing Thursday on China that the meetings in Hong Kong yielded "minimal progress."

U.S. Trade Representative Mickey Kantor has set July 31 as the deadline for deciding whether to cite Japan officially for unfair trade practices, a move that would lead to U.S. trade sanctions unless a settlement is reached within two months.

Barshevsky told reporters Thursday the deadline will not be extended this time.

The deadline was the third set by the U.S. for the current disputes on Japanese Government procurement practices.

Kantor extended the first deadline on April 30 for two months, and delayed it again for another month on June 30 because of political turmoil in Japan surrounding the fall of the previous coalition government led by Tsutomu Hata.

Kono Urges Talbott To Conclude

OW3007000894 Tokyo KYODO in English 2351 GMT 29 Jul 94

[Text] Tokyo, July 30 KYODO—Foreign Minister Yohei Kono phoned U.S. Deputy Secretary of State Strobe Talbott late Friday [29 July] to urge an early conclusion of ongoing bilateral trade talks on government procurement, Japanese officials said.

The officials quoted Talbott as saying the United States will do its best to settle the negotiations even if the two have to carry on the talks over the weekend. Washington has set a July 31 deadline on whether to proceed with measures toward sanctions under a 1988 trade law on government procurement.

Vice ministerial-level meetings are currently taking place in Washington on Japanese procurement of telecommunications and medical equipment. So far, the U.S. has not accepted Japan's concessions on the issue.

Hayashi To Outline New Proposals

OW3007020094 Tokyo KYODO in English 0149 GMT 30 Jul 94

[Text] Washington, July 29 KYODO—Japan offered new proposals to the United States on Friday in an effort to break the deadlock over disputes on Japanese Government procurement practices.

Deputy Foreign Minister Sadayuki Hayashi outlined Tokyo's latest trade offer in a meeting Friday morning with deputy U.S. Trade Representative Charlene Barshevsky, sources close to the negotiations said. The two sides went through the Japanese initiative for more than two hours and broke up early Friday afternoon after U.S. negotiators asked for time to consider the offer, the sources said. The Japanese and U.S. trade negotiators resumed talks at 9 pm after an eight-hour break.

Hayashi, who was to attend the subcabinet-level meeting, said, "we are going to talk right now," but declined to comment on whether the two sides had narrowed their differences over "objective targets" and when the talks will end. The two sides have until midnight Sunday to find a solution or face possible U.S. retaliation under a deadline set by Washington.

At issue is Washington's charge that U.S. firms face discrimination in bidding for Japanese Government contracts on telecommunications and medical equipment under current procurement regulations. According to Japanese sources, the latest Japanese offer is designed to ease the entry of foreign firms into the Japanese Government procurement market in the two business sectors.

Apart from improved access to the Japanese market, the U.S. also wants Japan to accept a set of "objective criteria" to measure the progress of foreign sales in Japan. If no settlement is reached by July 31, the U.S. is poised to initiate trade proceedings against Japan that would lead to retaliatory action unless a settlement is reached in 60 days.

The prospect of a potential rift in trade ties and possibly turmoil in currency markets prompted Japanese Foreign Minister Yohei Kono to make a personal appeal to Washington to accept a compromise deal. Japanese Government sources said Kono made the appeal in a telephone call to deputy U.S. Secretary of State Strobe Talbott on Friday night Tokyo time.

Government Procurement Talks With U.S. End

U.S. May Impose Sanctions

OW3107010394 Tokyo KYODO in English 0049 GMT 31 Jul 94

[By Antonio Kamiya]

[Text] Washington, July 30 KYODO—High-level trade talks between Japan and the United States collapsed Saturday, opening the way for the U.S. Government to launch proceedings to impose sanctions against Japan over government procurement for telecommunications and medical equipment.

Officials from the two sides conceded after three days of tough negotiations that they have failed to narrow their differences to break the deadlock and prevent a potential trade war between the world's two largest economies.

"We have made some progress, but there are still a number of gaps which we must fill," said Deputy Foreign Minister Sadayuki Hayashi, the head Japanese negotiator, after wrapping up the final negotiating session Saturday.

Deputy U.S. Trade Representative Charlene Barshevsky, the chief U.S. negotiator, agreed that "some progress" has been achieved but not enough for a trade deal.

"We did make some progress, and we'll continue to stay in touch," Barshevsky told reporters as she left the Office of the U.S. Trade Representative, venue of the bilateral trade negotiations over the past two days.

The U.S. Government, acting under a self-imposed deadline, is scheduled to announce its findings Sunday on Japan's government procurement regulations, which U.S. officials say are biased against non-Japanese firms.

In a brief exchange with reporters, Barshevsky effectively said the U.S. will begin sanctions proceedings against Japan, giving the Japanese Government two months to negotiate a settlement or face imposition of the trade sanctions.

"I suppose technically, yes," Barshevsky said when asked whether the next stage of negotiations with Japan will be conducted under the 60-day consultation period.

The consultation period ends Sept. 30, the date when the U.S. is scheduled to announce a list of "priority" countries under the tough U.S. trade retaliation weapon known as the "Super 301" law.

The U.S. Government reinstituted the "Super 301" measure shortly after the U.S. and Japan collided head-on over a plethora of trade issues at a summit meeting in Washington on Feb. 11 between President Bill Clinton and then Japanese Prime Minister Morihiro Hosokawa.

Under U.S. pressure, Japan has pledged to ease government regulations and facilitate efforts by foreign firms to bid for Japanese Government contracts for telecommunications and medical equipment.

According to Japanese sources, the trade talks just concluded focused on the issue of how to set "objective criteria" to make sure that the Japanese commitment translates into increased foreign sales in Japan.

The U.S. Government has declared publicly that it is not seeking "numerical targets" for foreign market share in Japan, but Japanese sources said U.S. negotiators refused to accept any formula or "objective" benchmark unless it is linked to an increase of foreign sales in Japan over time.

"My impression is that the Americans haven't changed their position at all," a Japanese source said.

While both U.S. and Japanese officials said the two countries will keep the negotiations going, a U.S. decision to launch sanctions proceedings against Japan could undermine broader trade talks carried out under the so-called "framework" trade accord.

After the two countries signed the "framework" agreement in July last year, the Japanese Government released an official "side letter" that said Tokyo reserves the right to withdraw that particular sector of "framework" trade talks if the U.S. threat [words indistinct] apart from government procurement, other business sectors covered by the "framework" process include autos and auto parts, insurance business, intellectual property rights and flat-panel glass.

Tokyo Seeks To Continue Talks

OW3107041194 Tokyo KYODO in English 0337 GMT 31 Jul 94

[Text] Japan will seek to continue talks with the United States even if the U.S. begins proceedings to impose sanctions against Japan on government procurement practices for telecommunications and medical equipment, a senior Foreign Ministry official said Sunday [31 July].

The official's comment follows the collapse of subcabinet-level talks in Washington on Saturday after three days of tough negotiations.

"Japan for its part has set no deadline for the talks," said the official, who declined to be identified.

Tokyo's policy is to aim to bring the talks to a settlement by Sept. 30 when Washington is scheduled to announce a list of "priority" countries under the "Super 301" provision of the 1988 Omnibus Trade Act.

Reacting calmly to the failure of the talks in Washington, the Foreign Ministry official said the collapse has been expected because it is extremely hard to reach agreement on whether to set "objective criteria" to gauge the openness of Japanese markets to imports.

Government procurement practices are one of the three priority areas in bilateral trade talks being conducted under the "framework" trade accord reached in July last year. The other two areas concern automobile and auto parts, and insurance.

U.S. Begins Preparing Sanctions

OW3107222494 Tokyo KYODO in English 2155 GMT 31 Jul 94

[By Antonio Kamiya]

[Text] Washington, July 31 KYODO—The United States moved Sunday [31 July] to prepare trade sanctions against Japan a day after the two countries failed to settle a bitter dispute over Japanese Government procurement of telecommunications and medical equipment.

In announcing the measure, U.S. Trade Representative Mickey Kantor gave Tokyo two months to resolve the issue and warned that the U.S. will retaliate unless there is a settlement.

"I am taking this action as a result of Japan's failure to address longstanding discrimination against U.S. suppliers," Kantor said in a statement.

Kantor's move signaled that the administration of President Bill Clinton is intent to use U.S. trade laws to settle bilateral trade disputes with Japan, setting a fixed timetable to force the issue.

The 60-day period of "consultation and negotiation" over the procurement dispute with Japan ends Sept. 30, the date when the U.S. is scheduled to announce a list of "priority" countries with trade barriers under a tough U.S. trade weapon known as "Super 301" law.

Countries named under the "Super 301" measure, resurrected in March following the collapse of trade talks with Japan, are required—under the threat of trade sanctions—to enter bilateral negotiations with the U.S. under a rigid deadline.

Apart from Japanese Government procurement business, the U.S. has also accused Japan of unfair trade practices over a wide range of industry sectors, including autos, auto parts, insurance business, flat-panel glass, and protection of copyrights and commercial patents.

The two countries have been talking to each other on some of these issues over the past year under the so-called "framework" negotiation process, but reported little progress.

At the heart of the yearlong dispute lies a U.S. demand for a set of "objective criteria" which U.S. officials say is necessary to ensure that any Japanese commitment to open up its markets will be translated into increased sales of foreign goods in Japan.

In announcing the U.S. sanctions proceedings over Japan's government procurement market, Kantor made it clear that the U.S. will not accept a trade deal unless it contains "meaningful" criteria to assess its implementation.

According to Japanese sources, the three days of trade talks held in Washington last week floundered over the single issue of what sort of "objective criteria" would be acceptable to each side.

Japan agreed to negotiate "objective criteria" under the "framework" trade accord concluded with the U.S. in July last year.

Japanese sources involved in the trade talks say U.S. negotiators led by deputy U.S. Trade Representative Charlene Barshevsky refused to accept any "objective criteria" formula unless it is linked to an increase of foreign sales in Japan over time.

U.S. officials declined to comment on the content of the negotiations.

Japanese sources say the Japanese negotiation team, led by Deputy Foreign Minister Sadayuki Hayashi, offered new proposals to address market-access problems faced by U.S. firms in Japan.

Among the complaints cited by U.S. firms are limited access to early information on upcoming government procurement plans in Japan and the Japanese reliance on an informal network of domestic suppliers which Kantor said leads to "pre-determined and noncompetitive" procurements.

Also, Kantor accused the Japanese Government of not giving due consideration to technical merits in its procurement plans and, in the case of telecommunications projects, using technical specifications that favor domestic suppliers.

Kantor asserted that American firms are global leaders in both telecommunications and medical technology sectors and should be able to grab a larger market share in Japan if there is no discrimination against foreign firms.

According to data released by Kantor's office, the U.S. medical equipment manufacturers account for nearly 40 percent of the public and private market in Europe but less than half that in the Japanese market.

Also, the U.S. says the average foreign market share of the public and private telecommunications market in the industrialized world is 25 percent, but only 5 percent in Japan.

Spokesman: Talks Not To Continue

OW0108040094 Tokyo KYODO in English 0326 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 KYODO—Japan has no intention of continuing trade talks with the United States under potential U.S. sanctions over Japanese Government procurement of telecommunications and medical equipment, a chief government spokesman said Monday [1 August].

"I am afraid the latest U.S. decision is incompatible with the bilateral 'framework' trade talks' principle of resolving problems through dialogue," Chief Cabinet Secretary Kozo Igarashi said at a news conference.

Washington moved Sunday to prepare trade sanctions against Tokyo a day after the two economic superpowers failed to settle a row over Japanese Government procurement of telecommunications and medical equipment.

"We have no intention of negotiating under the threat of sanctions," Igarashi said.

But the top government spokesman also said Tokyo is ready to continue talks with Washington on Japanese Government procurement in view of the importance of bilateral relations.

"Japan and the U.S. have agreed on the need to continue efforts to resolve the dispute," Igarashi said.

U.S. Trade Representative Mickey Kantor, in announcing the U.S. measure Sunday, gave Tokyo two months to resolve the issue and warned that the U.S. will retaliate unless there is a settlement.

Apart from Japanese Government procurement business, the U.S. has also accused Japan of unfair trade practices over a wide range of industry sectors, including autos, auto parts, insurance, sheet glass and protection of copyrights and commercial patents.

"If the U.S. decides to slap sanctions against us by the end of September, we will have to discontinue negotiations in the area of government procurement," Igarashi said.

"In such a case, however, we will of course continue talks in other areas of framework negotiations," he added.

The two countries have been discussing some of these issues over the past year under the so-called "framework" negotiation process, but little progress has been made.

At the heart of the yearlong dispute lies a U.S. demand for a set of "objective criteria" which U.S. officials say is necessary to ensure that any Japanese commitment to open its markets will be translated into increased sales of foreign goods in Japan.

Commenting on the breakdown of the government procurement talks, Igarashi said, "I am sure we negotiated by presenting the best ideas possible. Although some progress was achieved, there still remains a gap. We will continue efforts to resolve this gap."

MITI Sees Lack of U.S. Effort

OW0108073194 Tokyo KYODO in English 0718 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 KYODO—The collapse of U.S.-Japan trade talks over public-sector procurement was due to a lack of effort by the United States to understand the Japanese offer, a senior trade ministry official said Monday [1 Aug].

"Washington did not evaluate Japan's package to improve foreign access to the government procurement market sufficiently," Hideaki Kumano, vice international trade and industry minister, told reporters.

Japan-U.S. high-level talks over government procurement of telecom and medical equipment ended without agreement at the weekend.

The rupture of the talks prompted Washington to name Japan as an unfair trade partner in that field of bilateral "framework" talks, setting in motion a process that could result in sanctions if an accord is not struck in two months.

Kumano said he believes a set of market-opening measures released by Japan at the end of March will work effectively to promote transparency, nondiscriminatory treatment and competition in awarding contracts.

"Japan will continue efforts so that Washington could come to understand Japan's steps correctly," Kumano said.

Kumano said the latest collapse in the government procurement talks does not mean Japan will stop trying to wrap up the talks.

"Washington appears calm after the talks' rupture, while Japan will continue its efforts," Kumano said.

He said a major development in government procurement and two other priority sectors of the framework talks—auto trade and insurance—is unlikely before Japan's summer holiday season ends around Aug. 20.

Kumano played down currency market players' concern about the possible negative impact on the yen-dollar exchange rate of the breakdown of the talks.

No big moves due to the failure of the trade talks were observed in Monday's Tokyo trading, Kumano said, noting the dollar turned lower in early trading but later recovered part of the ground lost.

Kumano also voiced regret over a U.S. auto parts maker's stance in business deals with Japan's Hino Motors Ltd.

The American maker rejected a request by the major Japanese truck maker for brake parts, saying it was too busy to meet the order due to the booming auto market in the U.S.

The U.S. maker's unilateral declaration of business cutoff must have been regrettable for Hino, which has been making active efforts to import U.S. parts, Kumano said.

He added, other Japanese automakers will be discouraged by the latest incident.

Japan has been under pressure to buy more U.S.-made auto parts in the trade framework talks.

Ministers May Meet 2 Aug on Impasse

OW0108093294 Tokyo KYODO in English 0919 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 KYODO—Japanese cabinet ministers are expected to meet Tuesday [2 Aug] to discuss ways of breaking an impasse in the Japan-U.S. framework trade talks that collapsed over the weekend in Washington, government sources said Monday.

Foreign Minister Yohei Kono, Finance Minister Masayoshi Takemura and International Trade and Industry Minister Ryutaro Hashimoto are likely to attend the meeting, the sources said.

They said, however, it would be difficult to break the deadlock in the bilateral talks.

The sources noted the U.S. and Japanese officials discussing Japanese procurement plans on telecommunications and medical equipment had failed to bridge their basic differences over "objective criteria" for measuring the openness of Japan's markets.

Official: Talks To Continue

OW0108120694 Tokyo KYODO in English 1150 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 KYODO—Vice Foreign Minister Kunihiko Saito said Monday Japan will continue framework trade talks with the United States despite the collapse of negotiations on Japanese Government procurement of telecommunications and medical equipment.

"We still have 60 days to negotiate before the deadline for sanctions," he said, adding the U.S. move was in line with domestic law.

Washington said Sunday it is poised to list Japan's procurements as an unfair trade practice, and U.S. Trade Representative Mickey Kantor said his office has started procedures to impose retaliatory action at the end of September.

Saito said the negotiations will have to be discontinued, as Chief Cabinet Secretary Kozo Igarashi has stated, if Washington goes ahead with sanctions against Japan.

He added, however, that Japan's action ultimately depends on political judgments to be made by the government.

Minister To Attend Sep Trade Talks in U.S.

OW0108130594 Tokyo KYODO in English 1250 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 KYODO—Foreign Minister Yohei Kono will attend a quadrilateral trade session to be held in Los Angeles Sept. 9-11 in a move to break a deadlock in the Japan-U.S. framework trade talks, a senior government official said Monday

The official, who declined to be named, said Kono and International Trade and Industry Minister Ryutaro Hashimoto will go to Los Angeles to attend the meeting of trade ministers from Japan, the United States, Canada and the European Union.

The official said the government is trying to arrange a meeting between Kono and U.S. Trade Representative Mickey Kantor on the Japanese Government's procurement of telecommunications and medical equipment.

Japan-U.S. talks on the matter collapsed in Washington on Saturday, prompting the U.S. to take procedures that could lead to sanctions against Japan.

The official said the main topic at the quadrilateral talks will be multilateral trade negotiations under the World Trade Organization due to be inaugurated next January under an agreement reached in the Uruguay Round of world trade talks held under auspices of the General Agreement on Tariffs and Trade.

The official said a U.S.-proposed market-opening plan for the year 2000 may come up for discussion at the meeting.

The United States retracted the proposal set forth at the Naples summit of the Group of Seven industrialized nations in July because of opposition from France.

NTT To Be Excluded From U.S. Sanctions

OW0108122394 Tokyo KYODO in English 1033 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 KYODO—A top Postal Ministry official said Monday he believes Nippon Telegraph and Telephone Corp. (NTT) will be excluded from possible U.S. economic sanctions against Japan.

The U.S. Trade Representative office said Sunday trade negotiations with Japan on its government procurement of telecommunications and medical equipment have broken down, prompting Washington to begin procedures for retaliatory action against Tokyo in 60 days.

Deputy Postal Minister Haruki Matsuno said, however, that the deadline for negotiations on international procurement by NTT does not fall at the end of September.

The Japanese telecommunications giant opens the door to foreign suppliers when procuring equipment, under an agreement signed with Washington in 1981.

NTT is now negotiating with the United States for a revision of the agreement to raise the transparency of its procurement.

The company's imports from overseas suppliers totaled 119 billion yen in fiscal 1993, about 90 percent from U.S. makers.

U.S. To Propose Increased Military Ties

OW3007063894 Tokyo YOMIURI SHIMBUN in Japanese 25 Jul 94 Morning Edition p 1

[Text] It was disclosed on 24 July that the U.S. Defense Department will make an official proposal to the Ministry of Foreign Affairs [MOFA] as early as the beginning of August, to conclude an agreement on commodity service and accommodation (ACSA) that would make offshore refueling between Self-Defense Forces [SDF] and U.S. Forces possible during joint military exercises. Based on an unofficial proposal by the United States for conclusion of the ACSA agreement, the Joint Staff Council of the Defense Agency [DA] and the headquarters of the U.S. Forces in Japan [USFJ] had detailed discussions and finished working-level negotiations last month. Regarding the ACSA, some people argued the agreement would violate Article 9 of the constitution, which bans enforcement of collective security rights. However, the proposed agreement is intended to apply only in peacetime. It is designed to draw a line between the contents of the agreement and support of the USFJ's military activities.

The ACSA is a government-to-government agreement that calls for accommodating fuel transport, and medical and other services between the United States and its allies in times of joint military exercises. The United States has similar agreements with 17 countries, including members of the North Atlantic Treaty Organization (NATO), Israel, and the ROK.

Because of the Commodities Control Law, provision of national assets for other countries cannot be done freely in Japan. Therefore, the SDF and USFJ do not make mutual accommodation for commodity transport, refueling, and medical service when they conduct joint military exercises, except for RimPac.

For this reason, the United States has been sounding out the DA since 1988 on concluding an ACSA for smooth implementation of the Japan-U.S. security system. Of late, controversy arose—in connection with the crisis over North Korea's suspected nuclear arms development—on how Japan should respond to a U.S. request for logistics support, including refueling of U.S. warships.

The proposal to be submitted by the United States is in line with what was discussed by the Joint Staff Council and the USFJ.

The United States will not call for application of an ACSA when it is involved in armed conflict because fuel supply and commodity transport by the SDF constitute enforcement of collective security rights. In giving consideration to Japan's special circumstances, the United States agreed to apply an ACSA only in peacetime without incorporating emergency cases and conflict with Japan's neighbors such as the Korean Peninsula. It is the first time the United States has limited application of an ACSA agreement to peacetime. Moreover, joint military training under the ACSA agreement will be held only in the seas around Japan and the United States. Also, application of the ACSA will be restricted to temporary fuel supply to ships and aircraft during joint military exercises, transportation of troops and equipment, and emergency supply of medical services and medicines in the event of an accident. The supply of ammunition, however, will not be a subject of the ACSA.

Regarding settlement of accommodated commodities, it seems that the main pillar of the proposal will be to pay in cash or kind. In the case of cash payment, a maximum limit of payment per year will be set at $10 million (about 1 billion yen).

After receiving the proposal, the DA's intra-ministerial bureau will begin its final study aimed at revising relevant laws, including the SDF Act, to conclude an ACSA in fiscal 1996.

The DA is studying the possibility of forming the "ACSA Administration Center" (tentative name), which will be in charge of smoothly implementing the accord, within the Joint Staff Council. In addition, the DA is also studying a plan to place its finance bureau in charge of administering the balance of the payment.

U.S. Maker Said To Reject Brake Parts Request

OW3107130594 Tokyo KYODO in English 1254 GMT 31 Jul 94

[Text] Tokyo, July 31 KYODO—Despite longstanding U.S. pressure on Japan to buy more autos and auto parts, an American maker has rejected a request by Hino Motors Ltd. to supply products to the top Japanese truck manufacturer, Hino officials said Sunday [31 July].

The officials said Hino Motors had been negotiating to import parts for brakes from the U.S. maker, which they did not identify by name.

But the American firm rejected Hino's request, noting it cannot afford to provide parts because car production in the United States is rising, the officials said.

Hino had relied on domestically produced parts for brakes but started negotiations with the U.S. side some 18 months ago on importing parts in order to reduce costs, the officials said.

The U.S. maker, however, notified Hino Motors in May that it could not provide the parts, they said.

Hino, owned 11 percent by Toyota Motor Corp., ranks top among Japan's four truck makers. The three others are Mitsubishi Motors Corp., Isuzu Motors Ltd. and Nissan Diesel Motor Co.

The administration of President Bill Clinton has pressed Japan to open its markets of government procurement, insurance, and autos and auto parts in bilateral trade framework negotiations.

Japan and the United States held three days of high-level talks through Saturday in Washington over government procurement for telecommunications and medical equipment.

But the talks broke off, paving the way for the U.S. Government to impose sanctions against Japan.

Red Cross Asked To Check on DPRK Repatriates

OW0108050494 Tokyo KYODO in English 0437 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 KYODO—A Tokyo-based citizens group asked Monday [1 August] for the Japanese Red Cross Society to discover the fate of Korean people who allegedly went missing after they returned to North Korea from Japan.

The group, Help Returnees to North Korea, led by Haruhisa Ogawa, a professor at the University of Tokyo, made the request.

The Japanese Red Cross Society and its North Korean counterpart signed an agreement in 1959 on the repatriation of Koreans from Japan, and more than 93,000 Koreans and their families left for North Korea.

Later, however, a number of the repatriated Koreans suddenly lost contact with their remaining families in Japan, group members said.

A 53-year-old housewife in Tokyo said her brother and his wife went to North Korea in 1962 but she has been unable to contact them for about 20 years.

Since the 1960s several tens of thousands of political prisoners have been detained and thousands tortured at 12 camps in North Korea, including those who had returned home from abroad, according to the human rights group Amnesty International.

Murayama, PRC Envoy To Cooperate on DPRK

OW0108045394 Tokyo KYODO in English 0427 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 KYODO—Prime Minister Tomiichi Murayama and Chinese Ambassador to Japan Xu Dunxin reaffirmed Monday that both countries will work closely together in efforts to solve the controversy over North Korea's alleged nuclear weapons program.

Emerging from his meeting with Murayama, Xu told reporters that concerning North Korea, "we have decided to continue to consult and to cooperate with each other."

North Korea maintains its nuclear program pursues strictly peaceful purposes but has refused to allow full inspections of its facilities by the International Atomic Energy Agency.

Xu, who called on Murayama before returning to China for his summer vacation, said he explained the progress of Chinese market reforms to the premier.

Murayama reportedly gave Xu some details about his one-month-old coalition government, which groups the premier's Social Democratic Party, the Liberal Democratic Party and New Party Sakigake.

Tokyo To Fund PRC Oil Refinery Project

OW0108032294 Tokyo KYODO in English 0205 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 KYODO—A group of 11 Japanese and European banks will offer 193 million dollars in loans for a project to build a large-capacity oil refinery in Dalian, China, an official at Fuji Bank, one of the Japanese banks involved, said Monday [1 August].

Other banks in the financial syndicate include Japan's Sumitomo Bank, Germany's Deutsche Bank and France's Banque Nationale de Paris.

The banks will extend the loan to West Pacific Petrochemical Co., a Chinese consortium promoting the 770 million dollar project for a refinery with a refining capability of 100,000 barrels a day, the official said.

It is virtually the first direct investment by foreign financial institutions in a Chinese private project, the Fuji Bank official said.

The credit is repayable over six years at an annual interest rate of 1.2 percent above the London Interbank Offered Rate (Libor), he said.

Mitsubishi Bank, Sanwa Bank, Sakura Bank and the Long-Term Credit Bank of Japan are also considering joining the syndicate, according to the official.

Government Focuses on Rwandan Situation

Murayama Sees Difficulty

OW0108130694 Tokyo MAINICHI SHIMBUN in Japanese 1 Aug 94 Morning Edition p 3

[Text] Providing relief for Rwandan refugees has become another task for the Murayama Government to carry out. At a time when other nations are moving to extend humanitarian aid, there are growing voices calling on Prime Minister Tomiichi Murayama, who has stressed the significance of an "international contribution by a nation of peace," to send personnel to Rwanda from a humanitarian point of view.

The government, however, faces difficulties in putting together relief measures because of legal restrictions such as the Peacekeeping Operations (PKO) Law, and is being seen as slow to respond to the calls.

European nations have sent transport planes and dispatched their own PKO troops to help the refugees. The United States, meanwhile, aside from financial aid, has allocated approximately $100 million for continuing relief activities by its military. Japan, on the other hand, has decided to extend approximately 4.4 billion yen. In addition, the government has granted a subsidy to Japan's Non-Governmental Organization (NGO), thus becoming the largest financial contributor next to the United States and European Union (EU).

However, as the disastrous situation is reported each day by the mass media, an increasing number of voices are saying, "Japan should also send personnel."

In response, the government is considering sending teams composed of small numbers of personnel, including: Medical experts from the Japan International Cooperation Agency [JICA]; a mission composed of temporarily hired NGO members as JICA members; a mission composed of people who have experience in international aid such as the Junior Overseas Cooperation Team.

Judging from the current situation in Rwanda, the government considers the best plan is to dispatch medical troops of the Self-Defense Forces [SDF], based on the PKO Cooperation Law, followed by an international emergency relief team composed of doctors, nurses, fire fighters, and others, which could be dispatched within 48 hours of a government decision in accordance with the International Relief Troop Law.

The dispatch of medical troops, however, runs counter to the so- called "five conditions" which ban the dispatch of troops without a cease-fire agreement, and the fact that refugee relief is outside the international relief law.

The dispatch of both the medical troops and an emergency relief team, it seems, is not possible because of legal restrictions.

Delegation To Go 2 Aug

OW0108102494 Tokyo KYODO in English 0821 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 KYODO—Japan will send a mission to Rwanda on Tuesday [2 Aug] to weigh the possibility of sending personnel to help the African nation's tens of thousands of refugees, the top government spokesman said Monday.

"We decided to send a mission to Rwanda to find out the exact situation there and confer with officials of relevant international organizations, as part of efforts to discover what personnel contribution we could make," Chief Cabinet Secretary Kozo Igarashi said at a news conference.

The six-member mission, consisting of officials of the foreign ministry and the prime minister's office and a doctor, will leave Japan on Tuesday and arrive in Nairobi, Kenya, on Wednesday, Igarashi said.

The Japanese team will meet officials of international bodies, make inspections of refugee camps around the borders of Rwanda, and return home on Aug. 10, Igarashi added.

Igarashi said Tokyo hopes to make a decision as early as possible on what Japanese personnel will help Rwandan refugees who have no food, shelter, medicine or drinking water.

Japan announced last week it will extend 32.3 million dollars in financial aid to Rwanda to assist the refugees, in addition to the 9 million dollars it decided in June to grant in emergency humanitarian aid.

More than a million refugees, mostly members of the Hutu ethnic group, are crammed into squalid camps near Goma, Zaire, just across the border from Rwanda.

They fled their homes fearing reprisals from the Rwandan Patriotic Front, led by rebels from the Tutsi ethnic group, which recently defeated government troops.

Tokyo Proposes Pacific Islands' Export Campaign

OW3007111994 Tokyo KYODO in English 1027 GMT 30 Jul 94

[Text] Tokyo, July 30 KYODO—Japan will soon propose a campaign for exports of local specialties from South Pacific islands to help the region's economic development, government officials said Saturday [30 July].

Parliamentary Vice Foreign Minister Hakuo Yanagizawa will present the idea at a two-day meeting of the 15-nation South Pacific Forum with dialogue partners such as Japan and the United States in Brisbane, Australia, starting next Wednesday, the officials said.

The campaign aims at strategic support of the production and marketing of island specialities that could yield high prices in the international market like brown cotton or black pearls, they said.

The idea is modeled on an initiative in Prime Minister Tomiichi Murayama's home prefecture of Oita in Kyushu, which promotes tourism by marketing one special product from each town or village.

Seminars to spread the idea of "one island - one product" will be held in Tokyo in November and in Fiji in March. Planned on-the-spot surveys in cooperation with Japan will help determine promising export products, the officials said.

The economic development of most South Pacific islands such as Tonga, Tuvalu, Kiribati and Vanuatu is way behind their big neighbors Australia and New Zealand, also forum members, due to the small scope of their economies and their geographical isolation.

To overcome the handicap of geographical distance, the islands need to focus on special high value-added products, the officials said.

Japan will offer to train the manpower necessary to develop and produce such products and also assist the establishment of private businesses, the officials said.

Hata To Create Party Without Alienating DSP

OW2907123194 Tokyo KYODO in English 1216 29 July 94

[Text] Tokyo, July 29 KYODO—Former Prime Minister Tsutomu Hata vowed Friday to proceed cautiously but steadfastly in creating a new large party comprising all noncommunist opposition groups, without alienating the Democratic Socialist Party (DSP).

Hata, leader of Shinseito (Japan Renewal Party), made the remark at a news conference in reference to DSP Secretary General Kansei Nakano's recent remarks indicating his reluctance to bring his party into the fold of the planned new unified opposition.

"It would be disadvantageous if we repeat what happened to Kaishin (Innovation)," Hata said in reference to the April 26 withdrawal from his coalition government by the Social Democratic Party (SDP), enraged by its exclusion from the formation of Kaishin, the five-party parliamentary group, perceiving it as an attempt to relegate the party to the sidelines.

"Although I still hope that a new party can be formed by September, an agreement among political parties has not been reached," Hata said.

Hata apparently fears that pushing too hastily for the formation of a new party might risk distancing the DSP from the attempts of the nine noncommunist opposition parties to converge.

Hata questioned whether the SDP had really converted its five-decade-old antimilitary ideology even after SDP Chairman and Prime Minister Tomiichi Murayama declared he recognized the Self-Defense Forces as Constitutional.

"I doubt whether (the SDP) could act against a tough problem speedily," Hata said in a veiled reference to the possible nuclear threat from North Korea.

DSP Official Hints at Formation of New Party

OW2907143094 Tokyo NIHON KEIZAI SHIMBUN in Japanese 29 Jul 94 Morning Edition p 2

[Text] The Democratic Socialist Party [DSP] held a meeting of representatives of its prefectural chapters, affiliated organizations, and support organizations in Tokyo on 27 July. Speaking at the meeting, Kansei Nakano, secretary general of the DSP, touched on the formation of a new-new party by nine opposition parties and parliamentary groups, with the exception of the Japan Communist Party, and said: "The nine opposition parties and parliamentary groups will form a unified parliamentary group in September when an extraordinary Diet session will meet. The unified parliamentary group will become a body mandated to make preparations for forming the new-new party within this year."

While the DSP is consolidating its cooperative ties with the Japan New Party, four factions formed by breakaway members of the Liberal Democratic Party have created the Free Reform Alliance [jiyugaikakurengo]. In this way, prospects for the formation of the group are increasing within the nine opposition parties and parliamentary groups. Commenting on this, Nakano stated:

"A process I envision is that the DSP, the Japan New Party, and the Free Reform Alliance will ultimately form a new party that will be joined by Shinseito [Japan Renewal Party] and the new party will consider asking Komeito to join it." In this way, he stressed that political parties sharing the same political beliefs and policies should rally forces on a step-by-step basis to form the new-new party.

Ozawa To Seek New Party at Diet Session in Sep

OW3007005194 Tokyo KYODO in English 0022 GMT 30 Jul 94

[Text] Washington, July 29 KYODO—The chief strategist of the former ruling coalition, Ichiro Ozawa, reiterated Friday he plans to create a new "superparty" of nine noncommunist opposition groups at an extraordinary Diet session scheduled for September to assume control of the government.

Talking to Japanese reporters accompanying him on a U.S. visit, Ozawa said, "opposition parties cannot coordinate candidates separately for single-seat constituencies. The opposition bloc also has to decide candidates for the House of Councillors election within this year."

Ozawa said in New York earlier this week that he aims to create a new party of about 200 members of the House of Representatives, larger than the conservative Liberal Democratic Party (LDP), in an attempt to wrest back power from the coalition government of Prime Minister Tomiichi Murayama.

On Friday, Ozawa said three former prime ministers—Toshiki Kaifu, Morihiro Hosokawa and Tsutomu Hata—plus Komeito Chairman Koshiro Ishida and Democratic Socialist Party Chairman Takashi Yonezawa will promote preparations for setting up the new party. Ozawa said he plans to set up the political party not by merging existing opposition groups but individual participation.

As for the name of the planned new group, the secretary general of Shinseito (Japan Renewal Party) said he will invite people's ideas. He reiterated he thinks Japan's current administration led by Murayama of the Social Democratic Party [Social Democratic Party of Japan—SDPJ] will be short-lived. Murayama was pushed to power in June by a coalition of his party, the LDP and New Party Sakigake after a power struggle with the coalition engineered by Ozawa.

Ozawa, co-founder of Shinseito, an LDP splinter group, is on a weeklong private mission to the United States for talks with U.S. political leaders.

Reportage on SDPJ Policy Changes

Murayama Seeks Support

OW0108082894 Tokyo KYODO in English 0711 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 KYODO—Prime Minister Tomiichi Murayama asked his party's members Monday [1 Aug] to support drastic changes in party policies, including endorsement of Japan's military forces.

Speaking at a Tokyo meeting of prefectural representatives of the Social Democratic Party [of Japan] (SDP) [SDPJ], Murayama urged regional SDPJ officials to recognize that the party must now think seriously about "reforming" and "renewing" itself.

The meeting will discuss the SDPJ's new platform, which entails discarding the party's traditional pacifist slogans, before it is submitted for approval at a party congress set for Sept. 3.

The coalition government has thrown away the ideological antagonism of the past and will focus on the future with policies based on the wishes of the people, Murayama said.

Last Thursday, the SDPJ's central executive committee endorsed a draft of new policy guidelines declaring that the party no longer regards Japan's Self-Defense Forces (SDF) as violating Japan's war- renouncing constitution, and it accepts the U.S.-Japan Security Treaty.

Although they were previously criticized by the SDPJ as remnants of Japan's military rule before and during World War II, the party's new guidelines also made clear that it now approves of the Hinomaru "Rising Sun" as the national flag and "Kimigayo," a song praising the emperor as the national anthem of Japan.

The use of nuclear power plants is also now admitted as a possibility, according to the guidelines.

Murayama, SDPJ chairman, heads a coalition government with the SDPJ's former ideological archrival, the Liberal Democratic Party (LDP), and a tiny LDP splinter group, New Party Sakigake [Harbinger].

The meeting concluded after adopting a report by SDPJ Secretary General Wataru Kubo that said the SDPJ did not err when it was allied with the LDP to form the current coalition government.

Party members endorsed the report although about half of the attendants objected to the major changes in the platform.

Local SDPJ Leaders Protest

OW0108132094 Tokyo KYODO in English 1307 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 KYODO—Representatives of the Social Democratic Party's [of Japan, SDPJ] prefectural chapters loudly voiced opposition Monday [1 Aug] to policy shifts urged by party leader and Prime Minister Tomiichi Murayama, including an endorsement of the Self-Defense Forces (SDF).

Monday's meeting appears to preview a fractious party congress Sept. 3, when a new party platform will be submitted for approval.

The new platform is expected to discard some of the party's pacifist traditions in favor of its recent political alliance with the Liberal Democratic Party (LDP) and New Party Sakigake [Harbinger] to form the current ruling coalition, political analysts said.

Murayama urged the regional SDPJ officials to recognize that the party must now think seriously about "reforming" and "renewing" itself. SDPJ Secretary General Wataru Kubo said the party did not err when it was allied itself with its long-time ideological archrival, the LDP.

Opponents to the new direction, however, argued there are contradictions between the party's traditional policies and those of the coalition. Others were unnerved by lack of debate within the party over the policy shifts.

Some of the loudest protests came from the representatives from Okinawa Prefecture with their wish for the removal of U.S. military bases there and from Hiroshima and Nagasaki Prefectures, who said they could not permit a change in the party's pacifist positions.

Last Thursday, the party's central executive committee endorsed a draft of new policy guidelines declaring that it no longer regards the SDF as violating the nation's war-renouncing constitution and it accepts the U.S.-Japan Security Treaty.

Although previously criticized by the SDPJ as remnants of Japanese militarism, the party's new guidelines also made clear that it approves of "Hinomaru" as the de facto national flag and "Kimigayo," a song praying a long life for the emperor, as the virtual national anthem of Japan.

Supporters of the policy changes at Monday's meeting, however, acknowledged the need for further explanation within the party.

Other protesters expressed concern that the current coalition arrangement will actually help the LDP return to the power it held for 38 years with the SDPJ as the leading opposition party until last summer.

They wondered if it would be possible for the SDPJ to cooperate with the LDP during next summer's House of Councillors elections because of their divergent political philosophies.

Kubo urged the understanding of the party representatives, saying, "it is impossible to separate the position of the prime minister from the position of the party."

Murayama, the SDPJ chairman, heads the coalition government.

Editorial Comments on Changes

OW3007084594 Tokyo NIHON KEIZAI SHIMBUN in Japanese 29 Jul 94 Morning Edition p2

[Editorial: "SDPJ's Change of Policies Which Came Too Late, and Its Responsibilities"]

[Text] The Social Democratic Party of Japan's [SDPJ] Central Executive Committee on 28 July decided to recognize the Self-Defense Forces [SDF] as being constitutional and also to maintain the Japan-U.S. Security Treaty. This means the party made a 180 degree turnaround of its basic policies.

The action was an endorsement of remarks made by Prime Minister Tomiichi Murayama in his keynote speech and testimonies in the Diet following the formation of a coalition government by the Liberal Democratic Party [LDP], the SDPJ, and the New Party Sakigake [Harbinger]. In the remarks, Murayama accepted the SDF as constitutional, said the Japan-U.S. Security Treaty should be maintained, and recognized the Rising Sun flag and the Kimigayo as acceptable. Subsequently the committee approved a draft policy on these changes with partial amendment.

The draft policy, entitled "Our Party's Basic Position To Face the Political Situations," will be submitted to the party special convention on 3 September and will become formal once approved at the convention.

It is only natural that the SDPJ, which had to be satisfied as a permanent opposition party during the East-West Cold War days, should come up with fitting, trustworthy, and practical policies now that the party is in a responsible position as a ruling party.

In fact, the change of policies has come too late. The "1955 regime of Japan's politics," with the LDP and the SDPJ in the center, was a shadow cast of the U.S.-USSR confrontation on Japan's domestic political scenes, but it is also true that the regime represented expectations that government would change hands between these two big parties. With the Cold War aggravating and occupation [preceding word as published] policies changing, the LDP-SDPJ confrontation worsened, and the two parties' policies in the areas of ideology and security turned into something which could never be compromised. The clash in the 1960s over the security issue was the climax of that confrontation.

Since then, however, rapidly growing economy has helped the nation's political basis stabilize and the people's lives improve, and this has tended to make people more conservative politically. This has helped the LDP's reign continue for a long time, even though lack of an opposition party qualified to take over power in fact was another reason. The reason why the SDJP had to remain an opposition party for so long and was not allowed to take over power was because its basic policy on such issues as security created concerns among the people and, as such, the party could not gain the people's understanding.

The SDPJ has had several chances to change its policy drastically—in the 1960s when Japan changed dramatically because of high economic growth, then in the first half of the 1970s when the Vietnam war ended and China joined the international community, and again during the late 1980S to the early 1990s when the socialist bloc nations collapsed and the USSR came apart. But the SDPJ was slow to act. All the actions—from those represented in the "new declaration of 1986" to those in the "1993 declaration" which are in fact still being debated—were laggard in coming and lacked in positiveness.

The new draft policy refers to "unexpected choice" of the LDP-SDPJ coalition and to the party's "timely action to deal with given reality of politics." There is no doubt that series of policy changes have been necessitated by given conditions. The changes are the current of the times, and the party's changes have come about with changes of history. The party did not bring about the changes to itself by reform efforts of its own. That is why while the people welcome the party's changes of policies, mistrust also remains with many of them.

The Copernican changes of the basic policy have not come voluntarily from within the party. In that sense, it must be said, the party is not taking responsibility to the people. The process of making the changes has not been clear either. On the other hand, now questions are being asked on what the rationale for existence of the party is and what its unique policies are. There is no other way but for the Murayama cabinet to answer these questions in the course of running the government.

SDPJ Secretary General Kubo on Political Scene

OW3007031094 Tokyo NIHON KEIZAI SHIMBUN in Japanese 28 Jul 94 Morning Edition p 2

[Interview with Wataru Kubo, secretary general of the Social Democratic Party of Japan; date, place not given]

[Text] [NIHON KEIZAI SHIMBUN] Why has the Social Democratic Party of Japan [SDPJ] changed its basic policies?

[Kubo] Within the party, policy debates have been conducted over the past few years. But now our chairman has become prime minister, and the party is in the position wherein it has to clarify its policies to support the government.

End of Intra-Party Policy Debates

[NIHON KEIZAI SHIMBUN] It seems there are objections within the party.

[Kubo] There is a difference between party doctrine and policies. The application of policies is aimed at changing reality—which is far from doctrine—toward the doctrine. As for the Self-Defense Forces [SDF], for example, the party recognizes the SDF as constitutional but is not saying the SDF should remain as it is. We will promote disarmament, which is part of our doctrine.

[NIHON KEIZAI SHIMBUN] There is a view that the prime minister's opinion should be separated from the party's policies. What do you think?

[Kubo] In terms of political opinion, it is not a correct view. I wonder how the people could trust the party and the prime minister who is also head of the party, if the prime minister said: "I, as prime minister, recognize the SDF as constitutional; but I, as chairman of the SDPJ, do not think it as constitutional."

[NIHON KEIZAI SHIMBUN] At the time of the Hosokawa Government, SDPJ members who were also cabinet members assumed their positions depending on the situation. What do you think about that?

[Kubo] I think it was unacceptable. At the time, there was a confrontation between those who rejected policies they believed damaged the spirit of the constitution on the one hand, and those who wanted to change the situations by taking power, on the other. But owing to this, intra-party debates on the political line have ended.

Cooperation in Elections Possible in Many Ways

[NIHON KEIZAI SHIMBUN] During a Diet session, the prime minister said the Japan-U.S. Security Treaty is indispensable. Does this mean the party's past anti-security treaty activities were wrong?

[Kubo] No, under the situation of one-party rule by the Liberal Democratic Party [LDP], the SDPJ's basic policies were effective as a means to check LDP's policies that run counter to the spirit of the constitution. The meaning of the prime minister's remarks on the Japan-U.S. Security Treaty is that although the East- West Cold-War has ended, there are locally unstable, tense situations, and therefore it is very dangerous to try to settle the issues at one stretch.

[NIHON KEIZAI SHIMBUN] How do you evaluate the fact that the SDPJ has formed a coalition with the LDP?

[Kubo] If formation of a coalition with the LDP leads to a revival of old-LDP style politics, the party will be criticized for making a serious mistake. But the evaluation depends on what Murayama does, and I think it is too early to evaluate just in terms of a combination of the current coalition.

[NIHON KEIZAI SHIMBUN] Electoral collaboration with the LDP and Sakigake is another issue, is it not?

[Kubo] It is quite difficult because the election principle is that it is a contest between political parties. However, an election also has the element of enabling us to remain in power. In view of this, our electoral collaboration will be different in each electoral district.

[NIHON KEIZAI SHIMBUN] Do you think there is a possibility the coalition framework will change?

[Kubo] There is no doubt the era in which walls between political parties are removed is approaching. I think it is possible the LDP and SDPJ will enter a dismantling stage and those who share common policies will get together.

The Need To Rectify the Problems of a Consumption Tax Hike

[NIHON KEIZAI SHIMBUN] When do you think the next general elections will be held?

[Kubo] In both the LDP and SDPJ, there were those who called for elections under the current multiple-seat electoral system. But once they got together to form the coalition, they found it comfortable and changed their minds as they want to retain the coalition as long as possible. I think there is a strong possibility the general election will be held late next year at the earliest, or after July of the year after next.

[NIHON KEIZAI SHIMBUN] How will the ruling parties deal with the issue of tax reform?

[Kubo] Even though it is difficult to abolish the current consumption tax system, we have to rectify moot points in the system. Like the Finance Ministry bureaucrats, some say: "Why do we not take this opportunity to raise consumption tax and make use of it as a revenue source." I am dead against such a view.

Local Rengo Leaders on LDP-SDPJ Coalition

OW3007134394 Tokyo ASAHI SHIMBUN in Japanese 29 Jul 94 Morning Edition p 3

[Text] On 28 July, the Japanese Trade Union Confederation [Rengo] held a conference with representatives from prefectural and regional divisions, as well as those from affiliated trade unions. The national conference was convened in Tokyo to discuss strategies for the 1994 upper house election and the next lower house election. During the conference, most local representatives claimed it is impossible to support election cooperation between the Liberal Democratic Party [LDP] and the Social Democratic Party of Japan [SDPJ]. They stressed that multiparty election campaigns should be organized by the non-LDP group, and the SDPJ and the Democratic Socialist Party [DSP] should take the initiative as "allied liberals" as soon as possible.

Thus, the national conference virtually reconfirmed Rengo's stance to reject joint election campaigns between the LDP and the SDPJ. But some radical attendants even urged the SDPJ's breakup from the coalition government or "Rengo's own new party." While the Rengo leadership currently takes a "wait-and-see attitude" toward the Murayama administration, this may be revised as a result of strong demands from local members.

In preparation for the 1995 upper house election, not a few local Rengo-affiliated organizations are seeking anti-LDP ties-up with such opposition parties as the Shinseito [Japan Renewal Party] and the Komeito. In connection with this, the participants said: "It is impossible for us to support LDP candidates even if the SDPJ backs them," (as noted by the Hokuriku Bloc Division); and "Rengo must adhere to its principle to seek non-LDP government," (as noted by the Shikoku Bloc Division).

At the same time, many participants expressed their concern over worsening internal frictions in the Rengo. Since Rengo is a confederation of the pro-SDPJ and pro-DSP labor unions, they stressed the need for immediate reconfirmation of "allied liberals." A representative from Hokkaido said: "To select candidates for the next general election, the SDPJ and the DSP should cooperate with each other." A representative from Hyogo Prefecture even said: "The Rengo leadership must urge the SDPJ to split from the coalition government before the SDPJ's party convention in September."

The Rengo Aichi Prefecture Division is facing a dilemma because an upper house by-election scheduled for August is expected to be fought between the LDP-SDPJ and non-LDP groups. Therefore, the Rengo Aichi insisted "Rengo should think about founding its own new party." The Kanto Bloc Division proposed a "liberal new party" to cope with a "super new party" plan by the Shinseito-Komeito group, saying: "Rengo should take the initiative in political regrouping, rather than remaining as a supporter group."

However, executives of nationwide trade unions did not clarify their attitudes because they need certain connection with the government to realize their policy proposals. The Japan Postal Workers Union just said it would take "a wait-and-see attitude for the time being." At the conclusion of the conference, Rengo Chairman Akira Yamagishi stated: "I take opinions of local representatives very seriously. I would like to promote Rengo's political principle by seeking a major political power to replace the LDP." As the top leader of the giant trade union confederation, Yamagishi is likely to face difficulties in dealing with internal discord between the national and local levels.

LDP's Mori on Ozawa's Government 'Doomed' Remark

OW2907131394 Tokyo KYODO in English 1238 GMT 29 Jul 94

[Text] Tokyo, July 29 KYODO—A top Liberal Democratic Party (LDP) official Friday [29 July] rapped Shinseito co-leader Ichiro Ozawa for telling U.S. opinion leaders that the coalition government of Prime Minister Tomiichi Murayama is doomed to collapse in a short period.

"It is unthinkable from the standpoint of conventional political practices to go abroad and criticize the government of one's home country as being doomed to collapse quickly," said Yoshiro Mori, secretary general of the LDP, the largest force in the three-party coalition government.

Mori was responding to a series of comments by Ozawa, who is visiting the United States, that the Murayama administration will be short-lived. Ozawa talked to U.S.

opinion leaders as well as Vice President Al Gore, former President George Bush and his security adviser Brent Scowcroft.

Mori also blasted Ozawa for using the public images of former Prime Ministers Tsutomu Hata and Morihiro Hosokawa as a cover to attack the government.

"He was merely trying to accomplish his ambition of crushing the LDP and Social Democratic Party (SDP) by using Hosokawa and Hata as if they were a 'matoi' baton," he said.

A "matoi" was an ornamental baton waved by firefighters of the Edo feudal era (1603-1868) to boost their morale.

Mori Urges LDP Defense Policy Review

OW3007005394 Tokyo YOMIURI SHIMBUN in Japanese 29 Jul 94 Morning Edition p 3

[Text] Speaking in a lecture at the Foreign Correspondent's Club of Japan in Yuraku-cho, Tokyo, on 28 July, Liberal Democratic Party [LDP] Secretary-General Mori touched on the issue of defense policies and said: "The Social Democratic Party of Japan [SDPJ] is scheduled to make a decision (to recognize the Self-Defense Forces [SDF] as constitutional). At the same time, it is important for the LDP to drastically review its conventional defense policies." As for the SDF, he said: "I wonder if the existing quorum should be retained amid the severe recruitment environment. I also wonder whether the existing balance between the Ground, Maritime, and Air SDF should be maintained in view of an exclusively defense-oriented policy. It is necessary for the three ruling parties to thoroughly debate this issue."

Murayama: Japan Never To Be Military Power

SK0108082894 Seoul YONHAP in English 0815 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 (YONHAP)—Japan will never develop into a military power even though the Social Democratic Party he heads recognizes the self-defense forces as constitutional, Japanese Prime Minister Tomiichi Murayama said Monday.

At a news conference with the South Korean press corps, the first of its kind since he became premier in late June, Murayama said his party recognizes the self-defense forces as the minimum deterrent required to defend Japan. The Tokyo government will uphold the principle of the self-defense forces acting exclusively to defend the country and never taking the offensive, he added.

A complete dispelling of suspicions about Pyongyang's nuclear program is a prerequisite to Japan's support for the replacement of graphite reactors in North Korea with light-water models, Murayama said.

He pledged close cooperation with South Korea in the event that Japan conducts negotiations with the North on diplomatic normalization.

Referring to the issue of "comfort women," he said several far- reaching, positive methods are being studied to preserve peace in the region and to ensure that Japan does not repeat its past mistakes.

Editorial on Possible Defense Spending Cuts

OW3007033694 Tokyo SANKEI SHIMBUN in Japanese 28 Jul 94 Morning Edition p 2

[Editorial: "It Is Folly To Advocate a Reduction of Defense Expenditures First"]

[Text] When considering the nations' security, we must avoid being influenced by an "atmosphere" or mood. It goes without saying that it is silly to discuss security or security policies in a mere pose. However, when we hear the Social Democratic Party of Japan [SDPJ], which has assumed the administration, intends to set the growth rate of the defense budget for fiscal 1995 at less than 0.9 percent (which means an actual reduction), we do not feel at ease about Japan's security.

Prime Minister Tomiichi Murayama has overturned the SDPJ "tenet" of seeking Japan's unarmed neutrality, and has spelled out the position that the "Self-Defense Forces [SDF] do not violate the Constitution." However, the new position makes it a proviso that "the SDF is in the process of disarmament." We find it hard to understand his logic that although the SDF in the process of disarmament is constitutional, the SDF in status quo is unconstitutional. If the SDPJ maintains "disarmament is necessary to exalt the prime minister's remarks to the Diet and to that end, Japan should promote disarmament in advance of other nations," this means that defense expenditures must be reduced for the sake of disarmament. It cannot be said this is a reasonable policy.

What will happen if defense expenditures are reduced recklessly and forcibly? Being different from other budgets, the composition of defense expenditures is peculiar. In fiscal 1994, personnel and provisions expenses, and repayment in installments of equipment purchases account for about 80 percent of defense-related expenditures totalling 4,683.5 billion yen. Among the expenses originally determined are: The share of expenses for U.S. Forces stationed in Japan; base countermeasures expenses; rents for bases; fuel expenses; expenses for maintenance of equipment; light, heat and water charges in barracks; and clothing expenses. Current-year materials expenses such as research and development and facility expenses, which could be reduced a little, account for only 3.7 percent of the total defense expenditures.

In fiscal 1995, personnel expenses and the share of expenses for U.S. Forces stationed in Japan will certainly increase by 130 billion yen; a 2.8 percent increase. If the government holds down the growth rate for the defense budget to 0.9 percent, the Defense Agency will have to cancel many of its plans such as training, research and development, and repair of tanks. In short, an actual reduction of defense expenditures without structural reform is an impracticable idea. Although the Defense Policy Council, the prime minister's advisory panel, is expected to call for reduction of the number of SDF personnel because of the gradual decrease in the younger population, the reduction will only produce actual effects in several years' time. A decline in war capability following the reduction of SDF personnel is supposed to be compensated by modernization. For this reason, we believe calls for an increase in defense expenditures are inevitable.

If the SDF is not strong, there is no use in having it. Nutritive elements for maintaining strength are consistent government policies (or budgets), training of SDF personnel, and public support. Under the current situation in which a new threat exists very near Japan, policies which consider only a decrease in defense expenditures detract the SDF's value, which is the people's treasure.

SDP's Kubo Praises Low Defense Growth Limit

OW2907123594 Tokyo KYODO in English 1206 GMT 29 Jul 94

[Text] Tokyo, July 29 KYODO—Social Democratic Party (SDP) Secretary General Wataru Kubo on Friday [29 July] lauded the ruling coalition's decision to put a lid on defense budget growth at 0.9 percent as a symbol of the SDP's stance on the war-renouncing Constitution.

"As long as the SDP is at the helm, we cannot approve a growth of over this year's 0.9 percent," Kubo said in a speech delivered in Miura, Kanagawa Prefecture.

"This is an embodiment of the ruling party's efforts toward the ideals of the Constitution," he said.

The ruling coalition of the SDP, the Liberal Democratic Party, and New Party Sakigake decided Thursday to impose a 0.9 percent ceiling on the growth of defense outlays in the fiscal 1995 budget, the same increase rate as in the current year's budget.

The 0.9 percent increase this fiscal year was the lowest in more than three decades.

Also Thursday, the SDP officially endorsed a dramatic change in its key policies, declaring it no longer views the Self-Defense Forces as unconstitutional.

The SDP also sanctioned Japan's rising sun banner as the national flag and the emperor-eulogizing "Kimigayo" as the national anthem, abandoning its longstanding opposition to both as symbols of the military rule during and before World War II.

Kubo said Japan should renew its determination to seek peace through soul-searching and apology for its role in the war at the 50th anniversary of the end of the war next year.

"Whether we can cleanse (the flag and anthem) of the stigmas depends on that," he said.

Defense Agency Studying Ways To Reduce Spending

OW3107074094 Tokyo YOMIURI SHIMBUN in Japanese 30 Jul 94 Morning Edition p 2

[Text] The Defense Agency [DA] began work on 29 July to determine areas where spending needs to be cut as a result of the 0.9 percent ceiling placed on the growth of defense outlays in the fiscal 1995 budget.

Base countermeasure expenses, the Self-Defense Forces' [SDF] frontline equipment expenses, facility expenses, expenses for educating and training the SDF personnel, and fuel expenses are among the areas for cost-cutting efforts. However, the DA is facing difficulties because if the base countermeasure expenses—such as that set aside for suppressing base-related noise—be reduced, "it would be impossible to convince the nearly 700 municipalities involved," (according to Noboru Hoshuyama, director general of the Defense Facilities Administration Agency).

On grounds of natural increases in labor cost and increased burden of costs related to stationing of U.S. military forces in Japan in accordance with the special agreement regarding such costs, the DA has requested an increase of 130 billion yen (2.8 percent) in defense budget over the previous fiscal year. However, only 43.3 billion yen has actually been approved. Considering that 130 billion yen is the amount of "natural increase in expenditure," the DA would have to cut spending by over 80 billion yen in other areas.

Now that a 0.9 percent ceiling has been placed on defense budget growth, it has been confirmed that the current Mid-Term Defense Program (for fiscal year 1991-1995) will be revised downward again in terms of defense budget. The ruling coalition parties have agreed that frontline equipment "will be reduced in the future." However, according to the current procurement system, when the DA purchases new tanks, naval vessels, or aircraft, only a small amount of advance payment for such equipment is accounted for in the budget in the initial fiscal year, and the balance is paid in installments over subsequent fiscal years, being accounted for in future budgets. Therefore, a drastic reduction in the defense budget for any single year cannot be expected.

Regarding defense spending, Chief Cabinet Secretary Kozo Igarashi has hinted the possibility that the 0.9 percent ceiling could be further lowered in the budget compilation planned near the year end. However, voices have been raised in some quarters of the DA, saying: "There are hardly any good ideas to even hold back defense budget growth at 0.9 percent. The Social Democratic Party of Japan [SDPJ] is so irresponsible."

Business Leaders Criticize Murayama Cabinet

OW2907123294 Tokyo KYODO in English 1145 GMT 29 Jul 94

[Text] Karuizawa, Japan, July 29 KYODO—Leaders of the Association of Corporate Executives (Keizai Doyukai) on Friday [29 July] criticized the coalition government of Prime Minister Tomiichi Murayama as "lacking viable doctrines."

The attacks on the government were made on the second day of a three-day seminar of the business group at this resort town in Nagano Prefecture.

Some executives said the government lacks viable doctrines or policies, while others criticized Murayama's Social Democratic Party (SDP) for its "lack of principles" in changing its key policy.

The coalition government comprises the SDP, the Liberal Democratic Party (LDP), formerly the SDP's ideological rival, and the New Party Sakigake, an LDP splinter group.

The SDP, in a meeting of its central executive board Thursday, endorsed a draft of new policy guidelines declaring the party no longer regards the Self-Defense Forces as unconstitutional and accepts the Japan-U.S. Security Treaty.

Susumu Tenporin, chairman of Mitsui O.S.K. Lines Ltd., said there is "no logical necessity" for the coalition government, which he said lacks "viable doctrines."

He said Japan would plunge into a "national disaster" unless the cabinet is replaced soon.

Takeo Shiina, chairman of IBM Japan Ltd., said Japan would be isolated in the world if the cabinet remains in power.

But some executives, including Tomosaburo Mogi, vice president of food manufacturer Kikkoman Corp., expressed more sympathetic views on the government.

The executives wound up most of the scheduled discussions when they agreed to urge Murayama to take the lead in promoting economic deregulation in Japan.

Takemura Views Timing of Next General Election

OW0108135494 Tokyo ASAHI SHIMBUN in Japanese 31 Jul 94 Morning Edition p 2

[Text] At a press conference held in Kusatsu city in Shiga Prefecture on 31 July, Finance Minister Masayoshi Takemura (head of Shinto Sakigake [Harbinger]) made known his views on the timing of the next general election.

He said: "I think it will be held in 1996."

Explaining the reason for this view, he added: "Even if the combined single-seat constituency system and proportional representation constituency system is introduced, when we consider the current economic situation in Japan, we should not immediately dissolve the House of Representatives to hold a general election.

The Japanese people should be given enough time to understand the new system. Politicians also need time to discuss (various issues such as electoral cooperation.)"

Takemura went on to criticize Shinseito Secretary-General Ichiro Ozawa's remarks [made during his recent visit to the United States] that the Murayama administration would be "short-lived."

Takemura said: "Everybody knows you should restrain yourself from commenting on domestic affairs when you are on trip abroad. He might have felt free to do so when he went abroad, but I wish his remarks had been more down-to-earth."

Meanwhile, Deputy Chief Cabinet Secretary Hiroyuki Sonoda (former Shinto Sakigake representative) spoke at the inauguration of his new party held in his home town of Hondo city, Kumamoto Prefecture on 30 July.

He said: "It is important to make an appeal to the confidence of the whole nation through an election. But we have a lot of problems that have to be settled. I want to tackle these problems with the intention of not holding an election for at least two years."

Cabinet Moving To Settle War Reparation Issues

OW2907144894 Tokyo KYODO in English 1404 GMT 29 Jul 94

[Text] Tokyo, July 29 KYODO—The government decided Friday to draw up a list of problems concerning proposed payments of war reparations to Asian victims of Japan's wartime atrocities as well as the survivors and families of victims of the 1945 atomic bombing of Hiroshima and Nagasaki, government officials said.

The decision was made at a meeting of Chief Cabinet Secretary Kozo Igarashim, his two deputies and other senior officials advising the cabinet, the officials said.

As a result, top officials of the cabinet's foreign and domestic policy offices were instructed to draw up the list speedily, they said.

Earlier in the day, ministers at a cabinet meeting strongly called for a speedy resolution of the issues, they said.

Meanwhile, a senior government official called attention to an agreement in June among the three ruling coalition partners—the Social Democratic Party, Liberal Democratic Party and New Party Sakigake—to establish a consultative body inside the government to expedite the solution of the reparation issue.

The accord was struck as a prerequisite to forming the current coalition government, along with other accords on diplomacy and domestic political issues.

The day's decision to draw up the list on the reparation issue "is in line with the three-way agreement," said the official, who spoke on condition of anonymity.

Murayama Vows To Boost Information Disclosure

OW2907133394 Tokyo KYODO in English 1301 GMT 29 Jul 94

[Text] Tokyo, July 29 KYODO—Prime Minister Tomiichi Murayama pledged Friday [29 July] to step up the government's efforts to improve disclosure of information to the public.

Murayama, in a TV program recorded on the day, said the government will soon set up a panel for the issue.

"It is not desirable that information be concentrated, and the people's access hindered. We will shortly set up a panel on information disclosure and make thorough efforts for that," he said.

Murayama also said new legislation is needed to forestall political corruption under the projected new election system, while ruling out early elections under the current system.

The current system of multiple-seat constituencies for the House of Representatives will be replaced with the new system of single-seat constituencies combined with proportional representations as soon as a government panel finishes its task of redrawing the electoral map.

The change in the election system was included in the political reform bills that passed the Diet in January.

Hiroshima Mayor on Opposition to NPT Extension

OW2907163894 Tokyo KYODO in English 1512 GMT 29 Jul 94

[Text] Tokyo, July 29 KYODO—Hiroshima Mayor Takashi Hiraoka on Friday [29 July] voiced opposition to the expected extension of the nuclear Non Proliferation Treaty (NPT) and called for scrapping all nuclear arms instead.

"The current NPT is not designed to remove all nuclear weapons. I will keep saying that use of nuclear arms violates international law and constitutes a crime against human beings," Hiraoka said at a symposium organized by Diet members and scholars.

The government has made clear that it supports an unlimited extension of the NPT, the international nuclear safeguard agreement, which expires next spring.

Businesses React to Continued Semiconductor Accord

OW3007030894 Tokyo YOMIURI SHIMBUN in Japanese 28 Jul 94 Morning Edition p 6

[By Kazumasa Higashi]

[Text] On 25 July, the Japanese Government decided to continue the Japan-U.S. semiconductor agreement until its five-year term expires in July 1996. However, Japanese electrical manufacturing companies reacted coolly because "the bilateral accord no longer has significance." At present, mutual dependence between Japanese and U.S. chip makers cannot be compared to what it used be. Moreover, rapid appreciation of the yen is encouraging Japanese chip makers to expand procurement of foreign-made parts. The situation of the Japanese and U.S. chip industries has changed drastically since the bilateral accord took effect in 1991.

"Industrial specialization" between Japanese and U.S. chip makers has been drastically deepened in the last couple of years. Japanese companies are good at producing memory chips and their U.S. counterparts have advanced technology for micro processing units. As a result, both Japanese and U.S. chip makers are aware their rivals are also indispensable partners because neither can complete products, such as personal computers, without parts procured from the other.

In 1993, Fujitsu Limited and AMD of the United States established a joint venture flash memory chip manufacturing company called "Fujitsu-AMD Semiconductor" (head office in Aizuwakamatsu, Fukushima Prefecture). Business ties-up are being accelerated between Japanese and U.S. chip makers, and in line with this, the U.S. semiconductor industries toned down their hard-line stance toward Japan.

Apart from the effects of the bilateral semiconductor accord, rapid appreciation of the yen is encouraging Japanese chip makers' voluntary expansion of foreign parts procurement. A major electrical manufacturing company said: "We once had a hard time securing a 20-percent market share for foreign-made chips, but this requirement no longer strains us."

Japanese electrical manufacturers often meet semiconductor demands on their own, and this industrial self-sufficiency has been being criticized as an obstacle to U.S. manufacturers' doing business in the Japanese market. However, Japanese manufacturers are beginning to say "we buy parts from any country as long as they are cost-efficient and high-quality" (as noted by an electrical manufacturer). Japan's largest computer maker NEC Corp. is also a major chip maker, but the company plans to expand the share of foreign-made parts in NEC personal computers to 50 percent before the end of this year from the current level of 30 percent.

The yen rate appreciation is forcing Japanese companies to shift their production facilities overseas, and this also makes the bilateral accord a mere scrap of paper. The Japan-U.S. chip accord does not count foreign-made parts purchased by Japanese companies overseas. As Japanese companies increase production overseas, it is becoming difficult to measure the real market trend of "foreign-made chips' market share in the Japanese market."

Under such circumstances, some companies have expressed concern over the future course of Japan-U.S. relations over semiconductor trade. One company said: "At present, the United States does not push Japan very hard because the American semiconductor market is now quite brisk. However, when domestic demand suddenly cools down, the U.S. may again look for an outlet in the Japanese market for their oversupplied products."

When the Japanese economy picks up after the prolonged recession, expanded domestic consumption may indirectly push down foreign-made chips' market share. In that case, the United States may again urge Japan to meet the 20-percent clause of the semiconductor accord although the latest bilateral talks confirmed "the figure is not a numerical target."

Finance Ministry Urges Drastic Review of Spending

OW0108102694 Tokyo KYODO in English 0938 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 KYODO—Ministries and agencies should drastically review their spending in making budget requests based on the ceiling on general operating expenditures for fiscal 1995 starting next April, Vice Finance Minister Jiro Saito said Monday.

"We want them to cut deep into existing policies with the spirit of 'scrap and build' because of the severe financial situation," Saito said at a news conference.

The cabinet of Prime Minister Tomiichi Murayama on Friday endorsed the fiscal 1995 budget ceiling, which grows 4.8 percent from the initial fiscal 1994 budget.

Saito said the Finance Ministry will examine the requests by tracing systems back to their basis.

"It is our principle to seek more rationalization and efficiency," he said.

Tokyo Urged To Repay Farmers for GATT Deal

OW3107132794 Tokyo KYODO in English 1317 GMT 31 Jul 94

[Text] Tokyo, July 31 KYODO—An advisory panel to Prime Minister Tomiichi Murayama has decided to urge the government to compensate rice farmers affected by the 1993 agreement to provide minimum access to the Japanese rice market under the Uruguay Round of global trade talks, a draft report showed Sunday [31 July].

The government "should place emphasis on providing income compensation that reflects the actual Japanese situation," according to a draft report by the Agricultural Policy Council.

The panel urges the government to provide "Japanese-style income compensation" that can be distinguished from the direct budgetary subsidies to individual farmers seen in some European countries and the United States, said the draft obtained by KYODO NEWS SERVICE.

It describes "Japanese-style compensation" as budgetary subsidies to city, town or village governments that will be entrusted with allocating central government funds to give fiscal stimulus to the economies of districts where farmers are likely to be hit by imports of foreign rice.

Such local governments should be given the authority to decide what projects the funds are to be used for, unlike the conventional subsidization mechanism under which the central government will specify how the funds should be used, the draft says.

The panel plans to submit the report to Murayama on Aug. 12, after finalizing the details in a meeting set for Tuesday.

The Ministry of Agriculture, Forestry and Fisheries will submit by the end of August a detailed budgetary request to finance the proposed subsidies as part of the fiscal 1995 budget to cover outlays from April 1, 1995, informed sources said.

The ministry will demand additional budgetary allocations to fund a comprehensive agricultural policy package in the autumn on top of the funds to finance the panel's latest proposals, the sources said.

The panel will also recommend that the government purchase farm lands from smaller farmers and redistribute them to competitive large farmers, the draft says.

The draft urges the government to encourage farmers to "voluntarily" shrink the acreage of rice farms, while increasing rice stockpiles by both the government and by the private-sector.

It also recommends the government "minimize" its regulations on rice distribution and backed the ministry's goal of ultimately abolishing Japan's rice price control system based on the annual setting of official prices at which the government buys rice from farmers.

To this end, the draft proposes that the government replace the current law on the food control system with a new law that would expedite the elimination of government intervention in rice distribution.

Under the concluded Uruguay Round of world trade talks, Japan agreed to a minimum access formula of gradually increasing rice imports from 4.0 percent to 8.0 percent of its annual domestic consumption over a six-year period, starting in fiscal 1995.

Banks Reduce Bad Loans to Developing Nations

OW3007112094 Tokyo KYODO in English 0954 GMT 30 Jul 94

[Text] Tokyo, July 30 KYODO—Major Japanese commercial banks have dramatically reduced bad loans to developing and former socialist nations mostly through rescheduling and converting them into government bonds, financial sources said Saturday [30 July].

The sources said the outstanding balance of loans held by 11 leading commercial banks stood at 883 billion yen at the end of last March, a decrease of about 630 billion yen from a year earlier.

The banks also managed to write off bad loans by increasing loan loss reserves over the past several years, they said.

"Bad loans to developing nations have almost been liquidated, and it's time for us to think about new loans to them with a positive posture," said a senior bank official.

The Japanese banks have rescheduled their loans to Argentina by converting them into national bonds issued by the Argentine Government, the sources said.

Brazil and a Western banking consortium have signed a rescheduling agreement earlier this year over the country's outstanding loans totaling about 70 billion dollars, they said.

They said similar arrangements are expected to be concluded between Japanese banks and Bulgaria, Poland and Ecuador toward the end of this year.

As a result, the sources said, the Japanese banks will be loaded with a small amount of outstanding loans to the former Soviet Union, Peru and Panama, helping them nearly halve the amount of bad loans held by the end of next March.

Committee Report Urges Economic Deregulation

OW2907123494 Tokyo KYODO in English 0837 GMT 29 Jul 94

[Text] Tokyo, July 29 KYODO—A government-commissioned committee said in a report Friday [29 July] further economic deregulation and better consumer education are needed in Japan to narrow price differentials between domestic and foreign products.

The report was submitted to a study group of the Price Stabilization Policy Council, an advisory group to the prime minister.

The report said the price differences stemmed partly from restricted competition and consumer demand for excessive quality, as well as the yen's appreciation on the foreign exchange market.

To cut the differences, the report said, economic deregulation should be promoted and consumers should be given better education.

The report noted that a 1992 survey showed prices in Tokyo were 31 percent higher than those in New York, adding the problem stemmed from industrial regulations in some sectors such as food and clothing and low productivity resulting from Japanese trade customs.

Justice Minister on Private Ownership of Land

OW3007123494 Tokyo SANKEI SHIMBUN in Japanese 29 Jul 94 Morning Edition p 5

[Interview with Mongolian Justice Minister Namsrayjabyn Lubsanjab by Kazumi Osawa; place, date not given]

[Text] Mongolian Justice Minister Lubsanjab, who is visiting Japan, recently granted an interview to SANKEI SHIMBUN. During the interview, he disclosed that the Mongolian Government plans to allow foreigners to use land in Mongolia for 60 years. Regarding acquisition of land, however, he explained the stand that "since it is banned by the new Constitution, we cannot approve it."

According to the same minister, the Mongolian Government plans to "submit to the State Great Hural, slated to be held this fall, bills to approve private use of land (including utilization of land by foreigners)." This is a measure based on a new Constitution enacted in 1992. Because of this, privatization of land, which was owned by the government in the past, will pick up its momentum.

Regarding land utilization by foreigners, the same minister said: "In addition to the initial 60 years, it will be possible for them to use land for another 40 years." In this way, he disclosed an intention to allow foreigners to use land for 100 years.

Regarding the bills, which will be submitted to the State Great Hural this fall, the same minister said: "We have drafted the bills in line with the constitutional regulations which stipulate that it is possible to allow Mongolians to own land except for pastures, land used for public purposes, and land used by the government for special purposes." On exclusion of pastures from private ownership, the justice minister said: "Nomadism is the foundation of the economic structure in Mongolia." He then indicated the government's intention to prevent obstacles in the process of land privatization.

According to the same minister, the Mongolian Government is currently drawing up bills on the basis of the Constitution and has "proclaimed more than 40 new laws so far." Reportedly, a law, which is out of the ordinary and is designed to protect domestic animals which have good blood lines behind them, is included in them.

Agency Assumes 147.1 Billion Yen Debts in Jul

OW0108064194 Tokyo KYODO in English 0606 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 KYODO—Financial institutions unloaded bad debts with principal totaling 147.1 billion yen to a joint debt-purchasing agency in July, the Cooperative Credit Purchasing Co. reported Monday [1 August].

The company said it paid 52.1 billion yen for 138 nonperforming loans, as financial institutions thus accepted losses of 95.0 billion yen.

The company takes over loans to insolvent borrowers and those with interest payments in arrears for six months or longer.

It has managed to recover 5.82 billion yen, with 5.43 billion yen, or 35 bad loans, cleared by selling real estate held as collateral, the company said.

It added that since starting operations in March last year, it has acquired loans worth principal of 4.82 trillion yen in total, paying 2.34 trillion yen for 2,327 bad loans and managing to recover 58.87 billion yen.

Ministry: Foreign Reserves Record-High in Jul

OW0108095394 Tokyo KYODO in English 0806 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 KYODO—Japan's foreign exchange reserves soared to 113,715 million dollars in July, hitting a record for the fifth straight month, the Finance Ministry said Monday [1 Aug].

The expansion in July by 2,251 million dollars from a month before to the all-time high resulted in part from the continued dollar-buying intervention by the Bank of Japan [BOJ] to stem the yen's rise against the U.S. dollar.

The July rise was the ninth consecutive month-to-month increase, the ministry said.

The foreign reserves include convertible foreign currencies, gold and international monetary fund special drawing rights (SDRs).

The cumulative total of monthly increases since November came to 18.49 billion dollars, a ministry official said, while declining, as usual, to comment on details and reasons for the growth in foreign exchange reserves.

Market experts closely follow fluctuations in foreign reserves as evidence of central bank intervention, and dealers said the BOJ continued to buy billions of dollars in July to stop the yen's rise.

The ministry official said the dollar started the month at 98.40 yen and ended at 99.93 yen in Tokyo dealings, ranging from 97.05 yen posted on July 12 to 100.08 yen marked on July 29.

Japan remained the world's largest holder of foreign reserves for nine months in a row, amassing 106.9 billion dollars at the end of May, the most recent comparable figures with other nations, except Singapore for March reserves, the official said.

Taiwan was second with reserves of 88.5 billion dollars, followed by Germany with 86.9 billion dollars. The United States posted 76.4 billion dollars and Singapore 50.7 billion dollars.

Government Receive Lower Net Receipts in Jul

OW0108102594 Tokyo KYODO in English 0815 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 KYODO—The government received 1,175.2 billion yen more from the private sector in June than it paid, but the net receipts were 810.8 billion yen lower than a year before due to tax cuts, the Finance Ministry said Monday.

The lower net receipts stemmed largely from income and other tax cuts as well as no bond issuance in the latest reporting month, a ministry official said.

General account income came to 4,278.7 billion yen, down 1,549.2 billion yen from a year earlier, with tax revenues down 745.6 billion yen to 4,214.0 billion yen and no income from bond issuance as opposed to 798.4 billion yen issued a earlier before, the ministry said in a monthly report.

General account expenditures came to 3,109.7 billion yen, up 898.6 billion yen.

The special account saw net payments of 880.4 billion yen, down 1,158.4 billion yen.

For August, the ministry projected net receipts of 913.0 billion yen, up 271.2 billion yen.

Ministry: Strong Yen Cutting Shipbulding Profits

OW0108102794 Tokyo KYODO in English 0953 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 KYODO—Profits for Japan's nine major shipbuilders will decrease by a total 9.9 billion yen if the currency exchange rate averages 100 yen to the dollar in fiscal 1994 ending March 31, the Transport Ministry said in a survey published Monday [1 Aug].

The survey, taken in July, also showed earnings for five major shipping companies will decrease by a total 6 billion yen, while profits for Japan Airlines (JAL) will be 400 million yen lower at that exchange rate.

Ministry officials said a profit decrease per company would be the sharpest for the shipping companies.

They said 50 to 70 percent of the companies' operating revenues are based in foreign currencies, while 40 to 60 percent of their operating expenses are foreign currency based.

Shipbuilders in principle take yen-based orders but have accepted an increasing number of dollar-based orders in the face of growing international competition, the officials said.

The effects of a strong yen on JAL would be moderate in the short term because the foreign currency-based shares of its estimated operating revenues and expenses are both 20 percent, the officials said.

Murayama: Tax Cuts Have Priority Over Tax Rises

OW2907123694 Tokyo KYODO in English 1222 GMT 29 Jul 94

[Text] Tokyo, July 29 KYODO—Prime Minister Tomiichi Murayama said Friday [29 July] tax cuts "inevitably" will have priority over tax rises in proposed Japanese tax reforms.

Murayama, in a television program recorded Friday night, said tax cuts to be implemented ahead of tax rises could stimulate business recovery and lead to an increase in tax revenues.

He also indicated more debate is required on a proposal to offset tax cuts by raising the general consumption tax from the current 3 percent, saying it would be difficult to implement unless taxpayers accept it.

Murayama said the partners in his coalition government expect to decide the details of tax reforms by the end of the year.

Tax Adviser Urges Tax Cut, Hike Package

OW3007120194 Tokyo KYODO in English 0910 GMT 30 Jul 94

[Text] Tokyo, July 30 KYODO—The chairman of the government's Tax Commission insisted in a recent interview with KYODO NEWS SERVICE that the government deal with income tax cuts in tandem with a consumption tax hike.

Kan Kato in this way warned against a move by the government and ruling coalition parties to separate the two issues in carrying out a comprehensive tax reform within the year.

An income tax reduction bill to be submitted to the Diet by the government should set the timing of a consumption tax hike, he said.

The government of Prime Minister Tomiichi Murayama has pledged to implement income tax cuts on a continuous basis to stimulate economic recovery led by domestic demand.

The government implemented income tax cuts worth about 5.5 trillion yen in fiscal 1994, which began April 1. It said it plans to carry out tax cuts of similar scale in the years ahead.

Government and ruling party officials said the income tax cuts will be followed by a consumption tax hike a few years later to make up for revenue shortfalls.

Kato indicated the government should not necessarily set the margin of a consumption tax boost but lay down the time schedule for the hike from the current 3

when it submits a bill for income tax cuts to the Diet.

A task force formed by the three ruling coalition parties is scheduled to come up with a tax reform proposal around mid-September.

Kato said his commission will stress the importance of a package deal on the tax issue if the ruling coalition shows signs of dealing with the matter separately.

The commission submitted a proposal to the previous coalition government of Prime Minister Tsutomu Hata in June calling for continuous income tax cuts to be offset by a larger scale hike in the consumption tax.

Kato said it is not too late for the government to decide on the range of a consumption tax hike after assessing progress of fiscal and administrative reforms and a natural revenue increase stemming from economic recovery.

He predicted a consumption tax hike would be carried out in April 1997.

Kato also said the commission will launch a study on the advisability of introducing a local consumption tax to improve the financial situations of local governments.

He suggested a retail tax as an appropriate measure because of simple procedures for tax collection.

Kato said politicians are reluctant to introduce a system for numbering taxpayers as a measure to improve the present tax system.

Ministry: Tax Revenues Down 0.3 Percent in Jun

OW0108095794 Tokyo KYODO in English 0714 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 KYODO—Japan's tax revenues in June came to 2,753.46 billion yen, down 0.3 percent from a year earlier, with the fiscal 1994 cumulative total at the end of June totaling to 4,421.94 billion yen, a fall of 2.3 percent from a year before, the Finance Ministry said Monday [1 Aug].

The June tax revenues were at almost the same level as the corresponding month last year with steady income tax collected at source making up for lower corporate tax revenues, ministry officials said.

Withholding tax revenues edged up 1.1 percent from a year earlier to 1,238.14 billion yen with a cumulative total of 2,135.51 billion yen, up 2.4 percent from a year earlier.

Since the figure reflects income tax collected in May, a 20 percent income tax cut carried out in June did not influence the revenues in the month, the officials said, predicting July tax revenues may post a year-on-year drop.

Revenues from corporate tax decreased 5.5 percent from a year earlier to 415.04 billion yen with the fiscal 1994 cumulative total of 455.15 billion yen, down 3.4 percent from a year before.

Auto Sales Rise 2.4 Percent in Jul Over 1993

OW0108051894 Tokyo KYODO in English 0509 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 KYODO—Domestic vehicle sales increased in July for the second month in a row, rising 2.4 percent from a year earlier to 497,028 units, the Japan Automobile Dealers Association said Monday [1 August].

Total July sales of passenger cars edged up 1.5 percent to 346,127 units, the first gain since March 1993, the association said.

Among these, sales of cars with an engine capacity of between 661 cc and 2000 cc rose 0.9 percent to 282,424 units, also the first gain since March 1993, it said.

Sales of larger passenger cars with an engine displacement of 2001 cc or more climbed for the fifth straight month, rising 4.1 percent to 63,703 units.

Sales of trucks also rose for the fifth consecutive month, showing a 4.6 percent gain to 149,226 units, but sales of buses fell 8.4 percent to 1,675 units.

Despite the rise in the July figures, cumulative vehicle sales in the January-July period were 2,967,479 units, down 3.0 percent from the same period last year, the association said.

Factors for Sustained Economic Recovery Viewed

'New Price Revolution' Discussed

942A0362A Tokyo NIHON KEIZAI SHIMBUN in Japanese 6 Jun 94 p 19

[Article by Yutaka Kosai, director of Japan Economic Research Center: "Domestic and Foreign Price Differences Shrinking—Concrete Measures To Prevent Deflation Needed"]

[Text] 1. The "new price revolution" signifies lowering of supply costs and will be a prerequisite to the carrying out of commodity price reductions and economic recovery at the same time.

2. Domestic and foreign price differences will be eliminated by new competitive conditions. That will lead to rectification of the strong yen imbalance.

3. Economic recovery through price reductions tends to slide into a deflationary state and measures are needed to utilize the new price revolution to increase real income.

Important To Mesh With Cost Reductions

A "ghost" is wandering about in the Japanese economy. That ghost is the "new price revolution." Its haunting appearances have been reported in this newspaper's series, "New Price Revolution." I was assigned the question, "Is it good or bad?" Will the new price revolution be a savior from the business recession? Or, will it be a devil leading us to economic quagmire? What effects will the consumers' demand for low-priced goods and corporate movements to lower prices have on Japanese businesses and economy?

Demand will increase if prices fall. Based on this simple principle, will lower prices support the economy? The fact that goods sell when prices fall is true only for certain products (partial balance). Goods with lower prices will probably sell but other goods might not sell (alternate effect). Furthermore, if all the prices (commodity prices) fall, will that help the economy?

According to the "neutrality of money" theory of the classical school, the real economy is not affected even if there are large-scale changes in commodity prices. That might be difficult to accept without reservation but if there is any effect, at all, it would probably be an adverse one.

The fall of commodity prices is commonly called deflation. Also, deflation is viewed as the cumulative progression of recessionary conditions. In a deflationary state, declining prices trigger further drops in prices and wages and, moreover, purchases are held down in the belief that prices will fall even further (beyond elasticity of 1). Persons who purchased goods with borrowed money must repay the loans as promised, even if the prices of the goods had fallen, and might go bankrupt if they do not handle the transactions wisely.

This is Fisher's so-called "debt deflation." Because such mechanisms operate, deflationary recessions tend to spiral downward.

The question as to whether the economy will recover by lowering prices was debated during the Great Depression of the 1930's. At first, the school advocating price and wage reductions was in favor. However, the tide turned against it after Keynes pointed out the "fallacy of composition."

Its argument of last resort was "if prices fall, the real value of cash on hand will increase and that will become a factor to help support the economy" (Pigou effect).

Also, cases can be mentioned where demand increases because the drop in overall commodity prices is misinterpreted as the decline in relative prices (inadequate information cases) but they lack persuasive power. Generally, it is difficult to claim that the way out of recession is to lower prices.

Then, will price reductions never support the economy? That claim is not true, either. Actually, in the Japanese economy, demand is concentrating on products with reduced prices and that is really preventing an economic collapse. Up until now, the Japanese economy has followed a "V-shaped" pattern of recovery led by exports, small business investments backed by financial deregulation, and public works investments. Instead of recovery starting with the end of inventory adjustments, new demands are closing out stock inventories.

However, the situation is different now. Exports are being hampered by yen appreciation, money supply is not increasing, and large-scale fiscal operations have strongly supported employment stability but failed to benefit the industrial circle. Inevitably, recovery from the recession depends on the passive "new price revolution."

Under what conditions is the realization of this expectation possible? Let us now consider the economy's total demand and supply curves. If the total demand curve shifts downward, prices fall and production declines. This is the common deflation. However, what happens if the total supply curve shifts downward? In this case, price declines and production expansions occur in tandem.

The "new price revolution" is useful for economic recovery only when it portends a downward shift of the total supply curve.

Is the "new price revolution" supported by increased productivity and cost-cutting measures, such as reengineering, restructuring, deregulation, new distribution channels, improvements in trading conditions, etc.? If that is so, that will move the total supply curve downward. The "new price revolution" will play a leading role in the economic recovery only when product quality improvements and new product developments mesh with price cuts and business cost reductions.

Even so, price reduction itself tends to bring on deflation. That is because price reductions raise expectations of further price declines and the pressure of past debts is added. Financial deregulations and debt liquidations are necessary to prevent a tumble into deflation. Though it is not the Pigou effect, financial deregulation is the least that should be done to assist the recessionary economy. There is a risk that if drastic liquidation of bad claims is not hurried, the new price revolution will bring on a deflationary wave that could be devastating.

For the new price revolution to serve as the trigger for economic recovery, it must encompass industrial and corporate cost reductions and be supported by financial deregulation.

Equalization of Basic Prices

The foregoing was a general explanation of the relations between the new price revolution and the economy. The inevitability of this revolution must be stressed considering international and historical conditions which gave rise to it.

All revolutions are explosions of conflicts. What are the conflicts that the new price revolution is trying to dispel? Those are probably conflicts resulting from differences between domestic and foreign prices and discrepancies between market exchange rates and purchasing power parities.

Differences between domestic and foreign prices and divergences of market exchange rates and purchasing power parities existed from before.

However, they were only paper calculations and though there were inequalities, there was no strong pressure to reconcile them. Today, however, immediate rectification is being demanded.

Domestic prices are relatively high not only for consumer products but for many production and intermediary goods. Hammered on two sides, one by recession and the other by yen appreciation, Japanese corporations do not have the reserve to absorb relatively high domestic procurement prices. Reducing domestic and foreign prices differences is not only the consumers' demand by a problem affecting the survivability of industries.

Moreover, corporations have the means now to lower domestic procurement prices. Imports and switch to overseas production or the threat to do so are the means. Because of the yen appreciation during the latter half of 1980's, Japanese industries established a certain number of production bases abroad and the overseas shift of production volume is much easier than before.

Under these circumstances, the traditional importance of differentiating trade merchandise from domestic products has lessened. Even electric power companies will lose sales if industrial consumers establish bases overseas. Competition is being carried out through such means. During the week of consecutive holidays, domestic travels decreased but overseas travels were at an unprecedented high level. Service industries are also exposed to international competition.

With the change in price structure because of yen appreciation, direct investments have become popular and the competition to seek "best practices" is spreading across national boundaries. U.S. recovery and Asian industrialization are increasing the severity of price competiton for Japan. Under these conditions, the domestic and foreign price differential has become an intolerable discrepancy and market forces have begun to operate to destroy that. The "new price revolution" is one facet of that.

The move is toward elimination of domestic and foreign price differences while the gap between market exchange rates and purchasing power parities will narrow with the rise of the latter. That will also be the process to loosen up the system favoring domestic production and to end the practice of long-term continuous transactions. These developments do not affect short-term business cycles but if shrinkage of domestic and foreign price differences corrects the imblanced condition, it should benefit the economy before long.

However, imports and overseas transfers of production bases are detrimental factors for the current domestic economy. That is another reason why business recovery will not be smooth under the new price revolution.

During its catch-up phase until now, Japan first caught up in technology, but there was a period of time when wages were extremely low, as compared with advanced countries, when exchange conversion and purchasing power were considered. At that stage, Japanese competitive power was naturally strong. At present, however, there is little difference in the income level after exchange conversion among Japan, the United States, and Germany, the leading countries. If technologies have become uniform through trade and direct investments, the exchange conversion income levels have also become equal. The "equalization of basic prices" has taken place.

That stands to reason since direct investments place facilities, parts and technologies on the same level and highlight only the competition in raw basic prices.

For Japan, equalization of basic prices means the end of the period when, supported by low prices, it was the sole winner in the international competition with advanced countries and means that it has been burdened with a critical wage handicap against the newly developing countries. This situation makes the shrinkage of domestic and foreign price differential all the more necessary to maintain competitive power.

However, through its realization, following the 1) technological and 2) exchange conversion income levels, Japan will finally become equal with other advanced countries in income and livelihood standards based on purchasing power parity. The new price revolution is the third and final step for Japan to catch up with advanced countries and might be said to signify the "end of an epoch" for Japan.

Deregulation and Employment Flexibility

From this standpoint, Prime Minister Hata's plan to double real income is not unreasonable as a concept. Of course, that should not be misconstrued as a deflationary measure. With the slogan, "economic recovery through lower commodity prices," the gold embargo was lifted in the early Showa years, but it was a bad precedent which led to a deflationary spiral.

In contrast, the successful case of solving the problem of high coal and steel prices in the 1950's through supply-side price adjustments might be a good lesson. The success was due to abandonment of the policy to protect domestic coal and the switch to alternate energy sources. As compared with that period when wartime controls still remained, it is increasingly difficult to achieve numerical targets for prices. What is essential now is to implement measures to increase the real income, such as deregulation, employment flexibility, etc.

Reform of Stock Prices Necessary

942A0362B Tokyo NIHON KEIZAI SHIMBUN in Japanese 7 Jun 94 p 27

[Article by Masasuke Ide, Nomura Research Institute research manager: "Correction of Domestic and Foreign Stock Price Differences Needed, Too"]

[Text] 1. While tolerating inefficiency, Japan, which strives for cooexistence and coprosperity among its people, was able to become an economic power largely because of cheap labor costs in the past and the overwhelmingly low capital costs since the 1980's.

2. However, on the flip side, the stock market has continued to highly evaluate inefficient companies with poor earnings. As a result, management discipline of Japanese corporations weakened and a framework of inefficiency, low profitability, high prices and high costs was established.

3. To regain the traditional corporate management style of utilizing limited resources effectively, the stock market, too, must adopt the competitive strategy of prioritizing efficiency and profitability instead of growth in scale.

International Market Utilized While Maintaining Closed Market

A primary factor in the development of postwar world economy was probably the continued effort to expand the market in which borderless, multinational and nondiscriminatory trade can be conducted under the IMF-GATT setup centered on advanced countries. The role played by the United States, a victor in World War II, was also large as the leader to promote the newly opened international financial market.

It can be said that persuaded by its sense of values since its founding that the "open system" should be the national policy and principle, United States played the role of a so-called central market for all countries which adopted the capitalistic market economy, in a broad sense, by absorbing and adjusting international excesses and shortages in resources and goods.

The primary functions of corporations in the central market are to meet the multiple needs of the people by effectively utilizing limited resources and, simultaneously, to efficiently increase the valuable risk capital (stockholders' capital) entrusted by the people.

The objective function of management is to maximize the ROE (return on equity) of the stockholders' capital and management is evaluated solely on the basis of its efficiency and profitability. Also, by maintaining an environment where any player, regardless of race or nationality, who can bring "a good product cheaply" to the market can compete, corporations are pressured to pursue efficiency relentlessly. As a part of that, economic bodies maintain "spotty" and "arm's-length" relations with each other, and place emphasis on fair pricing of each product item and fairness in conditions of each transaction.

An underlying reason why large Japanese corporations were able to participate actively in the international market in the postwar period was the effective functioning of the central market under these rules.

After World War II, Japan, which was urged to become a peaceful economic power through its own efforts and started as a minor subsystem in the market economy, encouraged development through full use of the central market. As a semiclosed subsystem to the outside world, Japan utilized the framework of this postwar international economic system most skillfully to become a great economic power.

Profitability Declines While Stock Prices Rise

However, instead of stressing a competitive system based on efficiency, Japan's economic establishment prioritized expansion of the economic scale while promoting coexistence and coprosperity of the Japanese people with lifetime employment as the basis.

Relations among economic entities were formed with emphasis on dividing generally fair shares through long-term, comprehensive package deals and whether the prices of individual products or conditions for each transaction were fair or not was considered a secondary problem. Even if the asked prices of the counterpart were relatively high, it did not matter as long as there was a guarantee that the counterpart would accept relatively high prices, too.

Consequently, Japan became the world's second economic power while retaining inefficiency, low profitability, high prices and high costs. The prices of most of the consumer goods are two or three times higher than U.S. prices and corporate earnings rate has declined steadily for the past 20 years.

In order for Japan, with scanty natural resources and basic technologies, to work effectively to enlarge the "pie," it was absolutely essential to steadily acquire the currency, i.e., U.S. dollars, to procure them from the central market. The key to economic development was to establish conditions which would enable Japanese corporations to survive by providing "good products cheaply" to the central market.

For corporations saddled with inefficiencies to survive in the international market, structurally advantageous cost factors were naturally required.

Up until the early 1970's, the low labor cost, based on cheap, plentiful, and industrious Japanese manpower with the exchange rate at 360 yen to the dollar, can be mentioned. After the advantage of the labor cost was rapidly lost with the transfer to the floating exchange system, the capital cost, which was markedly lower than in the central market, replaced it.

Of course, manipulative lowering of interest rates for large corporations was a factor, but the low capital cost was made possible by the sharp reduction of equity capital (owned capital) costs through policy-directed, permanent and mutual holding of stocks based on long-term interlocking corporate relations. While corporate profitability continued to decline, through dissemination of market price issues, Japanese stocks were detached from corporate fundamentals, such as the ROE—profits and dividends per share—and a steadily rising market was formed.

To continue supplying "good products cheaply" to the central market, Japanese manufacturing industries had spared no effort to rationalize operations, upgrade efficiency and conserve manpower and the gross profit ratio (sales cost ratio) had actually been rising until recently.

However, under the lifetime employment setup, the more efficient Japanese factories became, the more transfers were made of high-cost surplus personnel to the head office and sales and management divisions.

As a result, the sales margin of the operating profit ratio began to decline steadily.

Because banks (large stockholders), which have played the role of delegated monitors of the stock market, possess stocks as a means to develop and expand banking businesses, they have continued to convey the message to the market that "growth is proceeding smoothly," as long as counterpart corporations continued to expand in scale while earning sufficient profits to pay dividends.

Hasten Self-Reform Toward Value Creation

While the main banks were removing the corporate bankruptcy risk, which is the biggest risk factor in equity investments, general investors could be safely occupied with the rising stock market which considered growth in scale as the most important yardstick. In fact, the financial index with the closest correlation to rising stock porices in the 1980's was the growth rate of total recurring profits and though there were ups and downs, the total recurring profits of major listed corporations continued to rise steadily until 1989 when the "bubble" peaked out.

In the background, corporate sales profit ratio continued to fall and coupled with the worsening assets turnover rate and excessive equity financing (capital procurement through new stock issuances), the ROE plummeted even further. Therefore, the stock market had to continue giving abnormally high evaluations to corporate businesses with the lowest earnings rate among the leading countries and that created an even more advantageous position for corporations regarding capital costs. As is well known, this action weakened corporate management discipline, led to excessive capital investments and huge exports, and created the land and stock bubble.

The true nature of the Japanese system, which strove for coexistence and coprosperity and aimed for the resultant equality, through policy-based priority distribution, though inefficient, of resources, can be said to have been closer to the socialistic centrally planned economy than the central market system. While the socialist system ended in a historic failure, Japan was able to accomplish what is called a miraculous economic success because it relied on association with the central market and fully utilized it. In contrast to the central market which strives to cope with daily changes, the Japanese system, which values stability and resists every change, tends to preserve and further inefficiency indefinitely.

However, before inefficiency becomes a fatal ailment like in the former socialistic planned economy, the powerful market force of the central market brings about intermittent adjustments in the form of shocks. At present, the price revolution is being stirred up by none other than the market force of the central market which is trying to narrow the gap between domestic and foreign prices.

As the current account surplus amounting to $150 billion indicates explicitly, the scale of Japanese corporate activities has greatly exceeded the consumption capability of Japan as a subsystem. For Japanese corporations to survive, as the exchange stabilizes at 100 yen to the dollar, the time has arrived to discard management geared to full employment of Japanese by Japanese, based on the Japanese system, and engage in value-creating operations of a global scale and scope.

The current price revolution has gained momentum because the large Japanese corporations, which have a strong foothold in the high-priced nation of Japan, have started earnestly to bring in "good products cheaply" to the Japanese market from overseas bases or through tie-ups with foreign enterprises. This should become a movement leading to real and definite surplus reductions.

While economies and business activities are globalizing rapidly and international standardization is proceeding, it is difficult to imagine that only Japan's PER (price-earnings ratio) will maintain an abnormally high level. The forward-looking solution to the big domestic and foreign price differences in the stock market is, of course, a drastic improvement toward profitability of Japanese corporations.

To accomplish that, the stock market must reform itself by rising above the competitive strategy of highly evaluating growth in scale, at the expense of efficiency and profitability, to one favoring corporations with a strong capability to create values while meeting diverse needs through efficient utilization of limited resources. If that cannot be done, the market might have to face the unfortunate consequence of an even greater plunge in stock prices.

High-Cost Production Must Change

942A0362C Tokyo NIHON KEIZAI SHIMBUN in Japanese 8 Jun 94 p 25

[Article by Hiroshi Wada, vice president of Sharp Corporation: "Consumers Welcome Low Prices—Create New Markets through Deregulation"]

[Text] 1. Japan became a high-cost country with the rapid yen appreciation as the underlying factor. With excessive overseas transfers of representative Japanese manufacturing industries and preservation of inefficient industries, the Japanese economy is bound to collapse.

2. The trend toward lower prices, which is spreading in trade merchandise, will probably be accelerated by the inflow of overseas goods accompanying the economic recovery and expanded uses of imported materials. For nontrade merchandise, efficiency upgrading and cost reductions are desired in the future through deregulation and increased competition. Through such means, the opening of new markets can be anticipated and while solving the unemployment problem, an affluent national livelihood, suited to the high yen, can be created.

3. In future manufacturing industries, types that would create new demands based on highly functional precise parts are needed and for that reason, too, the narrowing of foreign and domestic price gaps and augmentation of basic researches through industrial-academic collaboration are absolutely essential.

Dissociation Between Purchasing Power Parity and Exchange Rate

The FY93 earnings of representative Japanese electronics manufacturers declined sharply by one-fourth, or 25.6 percent, as compared with 1990, the peak year of the past five years. With three consecutive years of marked decline, the situation is so bad that the worst postwar record of four consecutive years of decreased earnings might be established depending on the yen appreciation and economy.

The recent yen appreciation between 1991 and 1993 registered an increased value of 21.2 percent and though only about half of the rise following the Plaza Accord in 1985, the effect on the industrial circle is far more severe. Why is the Japanese machinery industry, which overcame the previous yen appreciation successfully, hurting so badly because of the recent yen appreciation. The following are the reasons:

1. As compared with the previous occasion, the market share of Japanese products dropped sharply with the appearance of NIE's (newly industrializing economies) and Southeast Asian products and counteraction through price increases became difficult because of the decline in price controlling power.

2. Previously, the U.S. dollar weakened, but this time only the yen is high and European currencies have dropped even more sharply in value than the U.S. dollar.

3. On the previous occasion, expansion of domestic demand saved the situation, but this time the country is faced with an unprecedented recession.

4. Not only were promising new products unavailable because of the transitional period to new items but, as seen in the case of computers, with downsizing and the increased entries of chain and discount storese, price reduction became a big trend.

5. On the previous occasion, there was ample room for automation and rationalization through introduction of machinery and equipment but now, "like a towel that has been wrung dry," additional capital investments will be severely constrained by increased depreciation costs.

6. Previously, through adjustment of the cheap yen, the process was to restore the purchasing power parity of the undervalued yen but on this occasion, the process has been an "acceleration of yen appreciation," i.e., the deviation from the purchasing power parity has progressed even further.

Of the above, item "6" is probably the most significant factor. The current rate of 105 yen to the dollar is a level where the overwhelming majority of the main export manufacturers, including automobiles and electronics, "cannot breathe with their noses under water."

With the widening of such domestic and foreign price differences as the background, the price reduction phenomenon—new price revolution—is taking place in various commercial product fields. If the economy recovers, will this phenomenon disappear and prices revert again to a rising trend? Such a view seems to be strong in the industrial sector. However, my answer is "no."

Rather, as the economy improves, there is a strong possibility that imports of various goods, including electronic products, will increase considerably. The dissociation between the exchange rate and purchasing power parity is that great and the technologies of many overseas products have reached the level to satisfy Japanese consumer needs.

Discrimination of prices to "obtain good products cheaply" and emphasis on value that "an appropriate amount must be paid for what is good" have widely permeated various strata of Japanese consumers like, it might be said, in advanced countries. I do not think that this inclination can be easily reversed.

Only a few of the NIE's home appliances that were popular in 1985 and 1986 could satisfy Japanese demands for quality, function, and design and, the boom dissipated suddenly. Subsequently, however, countries like the ROK and Taiwan labored industriously and, not only in quality but in design of marketed products, they are now able to produce original goods based on Japanese models. Furthermore, the price is cheap. For example, a small 14-inch TV set can now be purchased for 20,000 yen.

For this reason, Japanese companies have begun to procure cheap parts from abroad. Overseas procurement by processing and assembly plants had been relatively light until now. The reason is that Japanese parts and materiel manufacturers are excellent, but it cannot be denied that depending on that, there was overreliance on domestic manufacturers and the cultivation of cheap and good-quality foreign products had been neglected.

That tendency strengthened, especially during the bubble period, and the demand for exceptionally high-quality items and timely deliveries in appropriate quantities resulted in the trend to select high-cost domestic parts and materiel.

This arrangement to procure materials began to change with the bursting of the bubble. In the future, there should be a bigger inflow of parts through overseas procurement.

Overseas Production Will Accelerate if Yen Appreciation Continues

Also, if the current yen appreciation continues, a considerable portion of the finished products, such as automobiles and electronics, will probably shift overseas. As shown in the table (see Table 1), the advantage of overseas production is evident. Japan has become an extremely high-cost nation.

Table 1. Price Comparisons of Business Resources by Geographical Areas

Item	Japan	United States	Europe	Thailand	PRC
Annual interest rate	100	110	220	230	300
Land (factory site; per square meter)	100	8	4	1	10(1)
Construction costs	100	73	56	45	—
Personnel expenses (monthly)	100	65	32	6	4
Land transportation costs: 300 km (20-foot containers)	100	19	15	25	—
Stevedore expenses (customs clearing expenses for exports)	100	13	130	33	130
Leased warehouses(monthly, per square meter)	100	20	10	20	20
Electricity (kw/hour)	100	30	25	45	28

Table 1. Price Comparisons of Business Resources by Geographical Areas (Continued)

Item	Japan	United States	Europe	Thailand	PRC
Water (cubic meter)	100	19	4	100(2)	1
Business expenses (ratio to sales)	100	45	35	50	20
Corporate taxes (basic tax rate)	100	91	88	80	88

Notes: Estimates were based on typical local plants and indexed. Survey was made by Sharp Corporation.
(1) denotes leasing expenses.
(2) based on transporation in tank trucks.

Many home appliance manufacturers are pushing plans to increase the overseas production ratio to about 50 percent. Thus, products made in overseas plants will probably be imported steadily to Japan.

Consequently, there is fear that a business vacuum in the manufacturing industry, similar to the one in the United States in the 1980's, will result. The overseas transfers of assembly and processing plants will probably have tremendous adverse effects on not only the domestic parts and processing industries but on materiel and service industries as well. Industrial restructuring on a considerable scale might be unavoidable.

However, it might not be a good policy to use that as a reason to establish regulations to curb the present price revolution trend or set up excessively protectionist measures for comparatively weak industries.

Certainly, the current high yen is abnormal and a reversal of the exchange rate to about 115 yen to the dollar is desirable. However, the logical course to attain that is, probably, to promote an inflow of cheap foreign products and to cope with that, to strive to lower internal industrial costs, and to expand domestic demand.

There is a risk that industrial vacuum and structural changes will create greater unemployment in certain sectors. However, the desirable course is probably to achieve stable employment through the price revolution.

With respect to this, U.S. developments from the latter half of the 1980's to the 1990's will serve as a reference. During those years in the United States, with low growth and deregulations, prices generally fell but the economy became very active. The economy's basic structure changed rapidly because of declining prices and new business opportunities emerged. Though accompanied by some pain, such as unemployment, the industrial structure continued to change. Unless Japan goes through that process, it might be left behind in the wake of greatly changing world economies.

The rehabilitation of U.S. industries is remarkable. Corporations such as GE, IBM, and Compaq conducted thorough reengineering (basic business renovations). In Japan, the rationalization of plant production flows advanced but in the United States, even the physical distribution system with associated factories was revised. A total reengineering from raw materials to finished products was undertaken and the U.S. industry was reenergized markedly. In the multimedia sector, Japan was left far behind.

Room for Development in Service Economy

In Japan, too, it is desirable to increase employment and evade industrial vacuums by easing various regulations which are the causes of the high cost structure of Japanese economy and by making possible cost reductions and the creation of new markets. For example, shipping costs between Kobe and Nagoya are twice as high as the costs between Singapore and Kobe. As shown in the table (Table 1), Japanese warehouse expenses are extremely high as compared with foreign countries. By simply reducing these costs through deregulation, various industrial costs would drop and new business opportunities would increase.

The deregulation proposals by the Industrial Structure Council in 12 sectors, including housing and distribution, should be evaluated highly.

There is still ample room for development in the Japanese service economy. After discussions on communications and broadcasting deregulations, establishment of a multimedia foothold was the first step, though several steps behind the United States. There is room for growth, too, of new services to support education, environment, housing, and social welfare.

The problem of school education is also significant. According to my European and American acquaintances, there is no other country with so little industrial-academic cooperation as Japan. Out of consideration for Japan's economic future, the linkage between corporations and universities must be further strengthened. Of course, both universities and corporations must strive to nurture personnel with fertile creative minds.

Actually, even with electronics, high-tech products like liquid crystal, which have competitive power regardless of price, will retain international competitiveness even if the yen appreciates. Efforts should be made to increase production of such products.

With respect to adjustment of domestic and foreign price differentials, the tendency is to stand on the logic of the producer's side and let such arguments as how many unemployeds would emerge to dominate. However, to cite an example, estimates and test cases should be undertaken diligently by government and private think tanks on how much increase there would be in the consumer's real income if automobile inspections, like the ones conducted at present, are abolished. It is important to display a new business vision through such means.

If reengineering of the overall Japanese society can be conducted so that everyone would be able to respond alertly to changes and, moreover, take actions, not in common, but on the basis of individual responsibilities, any number of new markets might open up and employment should pick up.

North Korea

ROK Actions Against Pak Po-hui Condemned

SK0108053894 Pyongyang KCNA in English 0519 GMT 1 Aug 94

["South Korean Rulers Should Renounce at Once Scheme To Persecute Pak Po-hui"—KCNA headline]

[Text] Pyongyang, August 1 (KCNA)—Yom Tae-chun, presidium member of the Central Committee of the Democratic Front for the Reunification of the Fatherland, Saturday released a statement denouncing the South Korean rulers for banning SEKYE ILBO and six other publications run by the Unification Church, threatening that they would take a legal action against Pak Po-hui, co-chairman of the World Peace Federation and managing director of SEKYE ILBO published in South Korea by invoking the "National Security Law" [NSL] after he visited Pyongyang during the period of national mourning to express condolences.

He bitterly condemns the lawless act of the Kim Yong-sam group in scheming to persecute on "false charges" Mr. Pak, a conscientious mourner who participated in the ceremony for the last parting with President Kim Il-song, unable to repress the deep grief at the loss of the father of the nation, and thus showed courtesy and observed the rule of conduct as a member of the nation, branding it as an anti-ethical affront to the traditional etiquette and morality of the nation and an anti-national, anti- reunification criminal act of refusing reconciliation and unity between the fellow countrymen and aggravating the inter-Korean relations.

He says:

Mr. Pak's visit to Pyongyang and expression of condolences itself was a manifestation of his patriotism to contribute to national unity and national reunification. It must not be incriminated in any case.

The scheme of the South Korean rulers to charge him with his condolence call by invoking the "NSL," a fascist law, is one more clear token of the fascist "new security-oriented rule" under the "civilian" veil, a vivid evidence that they do not want national reconciliation and unity, but deny reunification.

The South Korean authorities should look squarely at the towering rage and firm will of the entire fellow countrymen, immediately renounce the scheme to persecute Pak Po-hui and unconditionally lift the ban on the publications run by him.

CPRF Denounces ROK for Punishment

SK3007050594 Pyongyang Korean Central Broadcasting Network in Korean 2100 GMT 29 Jul 94

[Information No. 653 issued by the Secretariat of the Committee for the Peaceful Reunification of the Fatherland, CPRF, on 29 July, 1994, in Pyongyang—read by announcer]

[Text] The South Korean ruling bunch's inhumane atrocity of thrusting a dagger at the heart of the countrymen, who have lost the father of the nation, is being carried out in a more vicious way with each passing day.

According to a news report, the South Korean authorities are babbling that they will take legal action against Mr. Pak Po-hui, co-chairman of the World Peace Federation and president of the SEGYE ILBO, who visited Pyongyang not long ago and expressed condolences before the bier of the great leader, on charges of benefiting and sympathizing with the enemy in violation of the National Security Law, while having committed an atrocious act of forbidding the publication of seven periodicals run by him, including the SEGYE ILBO and the WEEKLY SEGYE, under a preposterous pretext.

This is the most despicable and clumsiest fascist rash act that can only be committed by heinous civilian dictatorial maniacs who have turned their backs on the country and the countrymen.

Mr. Pak Po-hui's visit to Pyongyang was an extremely aboveboard, patriotic act from the standpoint of either ethics, morality, national reconciliation, or unity.

The act of expressing condolences is a matter of etiquette and morality rather than of politics, and comes from a long tradition of good manners and customs.

Since long ago, our countrymen have regarded the act of sharing the grief of neighbors over their misfortunes and expressing condolences over the deceased as a natural expression of courtesy, and have never been fault-finding or have never brandished a dagger on such an occasion.

Furthermore, the respected and beloved leader, whom we had and held in highest esteem for the first time in the 5,000-long history, had always mingled with the compatriots from various walks of life at home and abroad for the cause of national reconciliation and unity, and had discussed with them the questions of the nation and reunification with open-mindedness. He is the great sun of the nation who, up until the last moment of his life, had devoted everything he had to the sacred cause of the fatherland's reunification.

Mr. Pak Po-hui, who had had an audience with the great leader on two occasions, is a man who has made efforts to see the achievement of the national reconciliation and unity, and the country's reunification. Therefore, expressing his great grief over the respected and beloved leader's death [sogo], he visited Pyongyang to express his condolences over the death of the president.

As soon as the sad news was made public, innumerable overseas compatriots had rushed to Pyongyang, crossing oceans and continents, to express their deep condolences before the bier of the great leader. This was the matter-of-course expression of etiquette and duty of the countrymen who had lost the father of the nation whom they had extended their greatest admiration and respect to.

This notwithstanding, the South Korean ruling bunch is trying to take legal action against Mr. Pak Po-hui, who visited Pyongyang, and are regarding him as a criminal. This is a wanton infringement on humanity, and on ethics and morality, and this cannot but be an intolerable, anti-national criminal act of destroying the reconciliation and unity between countrymen.

As a party to the North-South top-level talks, the Kim Yong-sam ring ought to have shared the sorrow and expressed condolences over the unexpected accident [ttuthajianun yugo] of the other party to the dialogue.

Although they should have grieved over the unfortunate event [pulsangsa] of the other party to the dialogue, they strained the situation extremely by placing the whole army on special alert, the entire police on Grade-A emergency alert, and all government officials in an emergency stand-by preparedness, by putting those who were expressing condolences into prison, and by trying to suppress even those aspiring national reunification who visited the North to express their condolences. In view of this, how can we regard this detestable group of people as humans, as consanguineous compatriots, and as a party to dialogue?

The denouncement by the South Korean people of the Kim Yong-sam ring for not being a group of compatriots, but a group of beasts in the guise of humans and a group of rascals with animals' blood was never an accident. It is preposterous, unjust and villainous for the South Korean ruling bunch to maintain an evil law like the National Security Law, which regards compatriots as the enemy, intact while showing a willingness to hold dialogue with us.

Just as the puppets themselves are clamoring, the National Security Law, which stipulates that our Republic is an anti-state organization, has already become a mere scrap of paper under circumstances in which an agreement on reconciliation, non- aggression, cooperation, and exchange has been adopted between the North and South, and an agreement has been reached to hold the North-South top-level talks. Therefore, there is no further justification left for using this law.

This notwithstanding, the South Korean authorities have turned out in openly committing an inhumane, anti-reunification criminal act under the pretext of the National Security Law. This shows that they themselves are disclosing that they have no will to achieve reconciliation and hold dialogue between compatriots, or to realize reunification.

The Secretariat of the CPRF scathingly denounce the South Korean ruling bunch's atrocious act of suppression, regarding it as a spiteful challenge against ethics and morality, and against compatriots, and as an outspoken declaration of confrontation against us.

The South Korean authorities' unjust and miscreant act committed while the compatriots' experienced an accident, is an unparalleled, grave crime which cannot be pardoned for thousands of years.

The consensus [ilchihan chujang] among countrymen is that it is impossible to live beneath the same sky with rascals abandoned by the whole nation. In the name of the nation, people from various walks of life in South Korea should resolutely punish barbarous groups of people, like the Kim Yong-sam ring, who have already given up on being human.

We will never tolerate [choldaero mukinhaji anulgossida] the fascist clique's atrocious act of suppressing those who aspire for national reunification, including Mr. Pak Po-hui.

[Dated] 29 July, 1994, Pyongyang

Handling of Incident Criticized

SK3107085394 Pyongyang KCNA in English 0847 GMT 31 Jul 94

["Anti-Communist and Anti-Reunification Campaign of 'Civilian' Traitor Group"—KCNA headline]

[Text] Pyongyang, July 31 (KCNA)—The South Korean rulers are now kicking up a dust, threatening that they will "deal with by law" Pak Po-hui, co-chairman of the World Peace Federation and president of SEKYE ILBO, on the charge of "benefiting and sympathizing with the enemy" by invoking the notorious "national security law" after he paid a condolence call at Pyongyang upon hearing the sad news that the great leader President Kim Il-song passed away.

The puppet information ministry on July 25 banned the publication of his seven periodicals including SEKYE ILBO and CHUGAN SEKYE, declaring that "the home resident registration" of Pak Po-hui who has U.S. denizenship was "canceled" on the 18th.

Papers here today brand this as an inhuman, anti-ethical and anti-national act of those ignorant of politics and morality.

Stating that the South Korean authorities have neither condition nor ground to take issue with the condolence call of Mr. Pak at Pyongyang, a NODONG SINMUN analyst says:

In view of the intimacy of Mr. Pak with the respected leader who had received him twice, it was an obligation and courtesy of a member of the nation of 70 million and of a man for him to have expressed deep mourning and condolences at the death of the great father of the nation.

His condolence call at the North was a sacred doing conforming to the doctrine of his religion. The threat of the South Korean rulers to "deal with" Mr. Pak "by law" is a crude violation of humanism and an impudent challenge to universal ethics and morality. It can never be pardoned.

Mr. Pak's condolence call at the North was a patriotic deed also from the viewpoint of national reconciliation and unity.

The Kim Yong-sam group, however, is acting quite contrary to this. What is it, if not a sabotage of national reconciliation and unity?

By threatening Mr. Pak Po-hui with punishment under the "national security law" the Kim Yong-sam group makes it plain that the "dialogue" and "reunification" about which it has been loud-mouthed are a fake and it does not have the slightest intention to have dialogue with the North and reunify the country but it has only the intention to stand in confrontation with it to the end.

The "civilian" fascist group must unconditionally release the students and patriotic figures who have been illegally arrested and stop its fascist offensive against the pro-reunification democratic forces and the religious forces in South Korea, pondering over the grave consequences which might be incurred by its anti-communist, anti-North and anti-reunification campaign challenging the desire of the fellow countrymen for reunification.

Together with the entire fellow countrymen, we will watch the future attitude of the South Korean rulers.

More on 'Acts of Suppression'

SK3107112894 Pyongyang Korean Central Broadcasting Network in Korean 1224 GMT 30 Jul 94

[Commentary by station commentator Kim Ho-sam: "Unprecedented Barbarous Act Against Ethics and Morality"]

[Text] The South Korean ruling bunch is even more viciously committing acts of suppression against those patriotic people who aspire for reunification. A frantic fuss to suppress the patriotic people, who have expressed their condolences before the bier of the fatherly leader, is now been being raised not only in South Korea, but against (?South Korean) residents overseas.

According to a news report, the South Korean authorities clamor that they will take legal action against Pak Po-hui, co-chairman of the World Peace Federation and president of SEGYE ILBO who visited Pyongyang to express condolences before the bier of the great leader, on charges of aiding and sympathizing with the enemy in violation of the notorious National Security Law. They suspended the publication of seven of his periodicals, including SEGYE ILBO and WEEKLY SEGYE, under preposterous pretexts. They then appointed another person to the presidency of SEGYE ILBO on 28 July.

Such a fascist violent act by the South Korean ruling bunch is unprecedentedly the most vicious rash act which only the Kim Yong- sam ring of South Korea could commit. This is a wholesale declaration of war [chonmyonjokin sonjon pogo] against those democratic and patriotic forces who aspire for reunification; a traitorous act against the nation which shifts the present current of reconciliation and reunification, a current which has been hard- won once again, in the direction of confrontation and disunion; and a rash act by fraudulent politicians.

Pak Po-hui's recent visit to Pyongyang cannot be seen as a target of suppression. To the contrary, this is a patriotic act which ought to be highly appreciated by the world for its ethical and moral implications, as well as for the act of reconciliation and unity on our own part which should succeed in achieving the country's reunification by all means [kioi] in the nineties.

From the time of their ancestors, our people have regarded the expressing of condolences over an inauspicious event [pulsangsa] as a matter-of-course duty. They have regarded it as etiquette which they ought to observe.

Therefore, sharing the sorrow over and showing solicitude towards a neighbor's inauspicious event is a question of ethics and morality rather than of politics.

As the people of the world publicly approve, the great leader was the lodestar of the fatherland's reunification and the father of the 70 million countrymen, a leader who devoted all he had to the country's reunification without taking a day of rest all his life, all the while being more heartbroken over the national division than anyone else.

For almost half a century, from national liberation until today, there had been not a single day in which the fatherly leader had not racked his brain to achieve national reconciliation, unity, and grand union. He had warmly received compatriots who visited the fatherland, and had face-to-face discussions with them over ways to achieve the fatherland's reunification.

The pains taken by the great leader for the fatherland's reunification are beyond our expression.

Pak Po-hui, which the South Korean ruling bunch is clamoring about taking legal action against, is also a patriot aspiring for reunification, a patriot who turned out to realize the great leader's ideas for the fatherland's reunification while being deeply moved by his fair and aboveboard policies for the fatherland's reunification. He had an audience with the great leader on two occasions. He has made efforts to realize national reconciliation and unity as well as the country's reunification.

Therefore, he always highly admired the fatherly leader from his heart. He visited Pyongyang to express his condolences before the bier, heartbroken with mournfulness over the respected and beloved leader's death.

This notwithstanding, they are trying to regard such acts by Pak Po-hui as a crime and put him into prison. Are there rascals more villainous than they?

The Kim Yong-sam ring's act is a wanton infringement upon humanity, ethics, and morality which a human can never possibly commit; it is an unpardonable, unparalleled, and grave crime which destroys national reconciliation and unity.

Through the Kim Yong-sam ring's preposterous act, we can too well see they have already given up on being humans, and are villainous rascals in the guise of humans. Such rascals ought to be removed [chegodoeya hamnida] from the ranks of our 70 million countrymen.

The Kim Yong-sam ring has been indiscriminately putting handcuffs on South Korea's patriotic youths and students under the preposterous pretext of ideology. On top of this, the ring has been brandishing a dagger of suppression against even overseas Korean residents who have done what they ought to have done along the road to reunification and patriotism. This shows the rings intentions that it has no will to achieve national reconciliation and unity, and no intention to see the realization of the country's reunification.

The rascals are suppressing the patriotic people's aspiration for reunification while finding fault with us. We cannot but construe that they have declared a wholesale confrontation [chonmyon taegyol] against us.

If one leaves such a force of confrontation and disunion intact within the country, one cannot achieve the country's reunification at any time.

No matter what desperate efforts the Kim Yong-sam ring may make, a ring which has been completely pushed away from the current towards reunification in the nineties, it can never win back the minds of the South Korean people who aspire for independence, democracy, and reunification.

The South Korean ruling bunch's suppression of Pak Po-hui cannot be justified with anything, nor can it be tolerated.

The Kim Yong-sam ring should immediately and unconditionally stop its atrocious act of suppressing Pak Pohui, who is a patriotic person aspiring for reunification.

ROK Attempts To 'Lay a Hurdle' Before Summit

SK3007113594 Pyongyang KCNA in English 1121 GMT 30 Jul 94

["S. Korea Must Make Clear Background of Kang Myong-to's Allegation That the North Has Atomic Bombs; Statement of Federation of S. Koreans in Japan for Democracy and Reunification"—KCNA headline]

[Text] Tokyo, July 30 (KNS-KCNA)—The Federation of South Koreans in Japan for Democracy and Reunification released a statement Friday saying the remarks of Kang Myong-to that the North is possessed of atomic bombs are a script written by the South Korean "security planning board" (SPB).

On July 27, the SPB called "a press conference of exiles" and let Kang Myong-to who it alleged is a son-in-law of North Korea's premier claim "North Korea has five atomic bombs." His remarks caused a great sensation worldwide. Some countries have already raised a fundamental doubt as to them.

In view of the facts that though Kang allegedly sought refuge in South Korea in May, he was let make such remarks now, that if he came to South Korea in May, his motive of seeking refugee has nothing to do with the misfortune of North Korea and that the SPB is always deeply involved in exiles, Kang's remarks cannot be regarded otherwise than a script written by the SPB [sentence as received].

The U.S. Government has raised a doubt as to the authenticity of his remarks. Some other countries are also expressing their view disbelieving his remarks. Upset by this, the Kim Yong-sam regime was compelled to frankly admit the falsity of his utterances on the 28th, saying "the remarks that North Korea already has five atomic bombs came from the intelligence stage and there is no concrete evidence supporting it" and "there is no change in the original position of the government that it has no evidence of the North's nuclear arms development."

Then, why did the "SPB" spread the rumour with the third round of DPRK-USA talks in the offing? It intended to aggravate confrontation within the nation and lay a hurdle in the way of DPRK- USA talks.

The "SPB" also manipulated the "defector" to say "North Korea is seeking to bring the South Korean Federation of General Student Councils (Hanchongnyon) under its control."

A wholesale crackdown on Hanchongnyon and other pro-reunification forces is sweeping South Korea. Especially, the authorities are frantically trying to "uproot" Hanchongnyon, linking it with North Korea.

The suppression outdistances the military regime's brutal suppression in intensity. Broad segments of people are lifting up louder voices critical of it with the passage of time.

The argument that North Korea is trying to control Hanchongnyon was fabricated with a view to justifying the suppression and avoiding strong criticism by the people.

The successive rulers have maintained their "power" with the fabrication of information through the "SPB."

There must be no such thing under the "civilian government." So the Kim Yong-sam "government" must punish the chief culprit who misled public opinion by stage-managing the "press conference of defectors."

It must immediately stop the suppression under the "security- oriented rule," give up the policy of confrontation within the nation and open North-South summit talks at an early date.

CPRF Statement Denounces ROK Government

SK3007112894 Pyongyang KCNA in English 1110 GMT 30 Jul 94

["S. Korean 'Civilian' Dictators Can Never Evade Punishment by the Nation, Warns CPRF"—KCNA headline]

[Text] Pyongyang, July 30 (KCNA)—The Committee for the Peaceful Reunification of the Fatherland [CPRF] released a statement today denouncing the renewed anti-communist, anti-North confrontation campaign of the South Korean "civilian" fascists as regards the North-South relations turning back to the original point of confrontation.

We cannot but watch with deep apprehensions and resentment the South Korean authorities, who are not only driving North-South relations rapidly to the phase of confrontation, hurling abuses on the North, to extremely deteriorate the situation of the country but also have launched a wholesale suppression of the national democratic forces of South Korea, the statement says, and continues:

The death of the great leader President Kim Il-song, who personally set the stage for North-South top-level talks, was the biggest national misfortune and loss for both the North and the South.

The Koreans in the North, South and overseas, whose hearts had swollen with hopes for the peace and reunification of the country on the threshold of the top-level talks, deeply mourned the death of respected President Kim Il-song, a peerless patriot, the sun of the nation and the lodestar of national reunification, sharing sorrow and grief, irrespective of the difference in ideology and system.

The South Korean authorities, however, took a stance quite different from that of the people in the North and the South.

The South Korean ruler Kim Yong-sam, a party to the North-South summit, perpetrated military provocations against the North, committing without hesitation the never-to-be-condoned treachery of abusing the misfortune that befell the other side of the dialogue for a sinister political purpose. The present confrontation in the North-South relations originated from this. The inter-Korean relations which had been heading for reconciliation have begun turning back to the original point of confrontation due to his provocations.

Though his acts of driving the sword into the bleeding hearts of the fellow countrymen in deep grief was a rude act of a man bereft of reason either in the national point of view or in view of human courtesy, we kept mum for a whole week, restraining ourselves with patience.

The whole world denounced them for the unreasonable and immoral acts, while expressing support and sympathy for such a stand of ours.

But the South Korean authorities, far from repenting of their immoral anti-national acts, tried to justify them and, in the mourning period, ruthlessly suppressed South Korean people of various strata and students who were expressing condolences in different parts of South Korea and even banned the dispatch of mourning groups to the North.

They shocked the South Korean people and whipped the whole nation into fury by committing the crime of suppressing South Korean people for expressing condolences at the point of bayonet on top of their indelible crime in failing to show etiquette, while countering the misfortune of fellow countrymen with provocative "emergency orders."

They should have admitted, even at that moment, their immorality and showed a reasonable attitude of repenting of their responsibility for having driven North-South relations to a phase of acute confrontation.

But they chose to create a situation of a fascist "new security- oriented rule" and suppress more brutally South Korean students and people of different strata by linking them with the North, while justifying their crimes with such a preposterous sophism as "people's sentiments" and "defence of liberal democratic system."

Invoking the "national security law," they have launched a frantic search and wholesale roundup of members of the South Korean Federation of General Student Councils (Hanchongnyon) by setting all the repressive forces in motion, insulting students adhering to the chuche idea as "shady elements" blindly following the North and branding Hanchongnyon, an autonomous organization of students, as "an organization benefiting the enemy."

We cannot but ask if they have any justification to suppress the devotees of the chuche idea and persecute Hanchongnyon.

Where in South Korea can one see the sovereignty of the nation and where has the people's desire for independence, democracy and reunification been realised?

When the national dignity and sovereignty are trampled underfoot in South Korea under the military occupation and domination of outside forces, it is only too natural that the students follow the chuche idea, the idea of independence of mankind, for national sovereignty and that Hanchongnyon calls for independence, democracy and reunification, rejecting the colonial fascist rule.

The half-a-century long history of the struggle of the South Korean people does not know a precedent of such misrule as today. In South Korea there has been no such dictator as Kim Yong-sam whose regime has brought the North-South relations to extreme confrontation, insulting the patriotic democratic forces and suppressing the students and people with the bayonet against the people's desire and aspiration.

The Committee for the Peaceful Reunification of the Fatherland bitterly denounces in the name of the entire Korean people the South Korean authorities' reckless anti-communist confrontation campaign and fascist reactionary rule as an intolerable provocation against the North and an act strangling the South Korean national democratic forces.

The anti-national acts of the South Korean rulers are ridiculous and rash acts of wretches whose days are numbered.

The South Korean authorities refused dialogue and national reunification.

We, together with the entire nation, feel utterly disappointed at and lament the anti-national, anti-reunification acts of the South Korean authorities.

Grave and dangerous, indeed, are the consequences of the dishonest acts of the South Korean authorities who smile outwardly and antagonise fellow countrymen with a dagger hidden under their coat.

The South Korean authorities must be held responsible for them.

We can no longer tolerate the situation in which the South Korean students and people fall a victim to the "national security law" and we are antagonized by this evil law.

The "national security law," anti-democratic and anti-national, must be scrapped immediately and the fascist rule based on this evil law be overthrown.

The "civilian" veil, the pronoun of fascism in South Korea, is already on the way to its grave.

It will be of no use, even if the "civilian" fascists repent of what they have done.

The entire fellow countrymen have already sentenced the "civilian" dictators to death in the name of the nation, branding the crime they committed this time as the worst crime in violating the etiquette of the nation and insulting the whole nation.

The South Korean people are rising up in a new struggle, determined not to leave the "civilian" dictators alone.

Since the "civilian" dictators have committed an indelible crime against the nation, they will never evade a stern punishment by the nation.

Even if they apologise belatedly to the nation for the crime, they cannot be pardoned nor can they atone for it.

Their crime is the most heinous anti-national crime that can be settled only by a thousand-fold punishment.

Our national history will record before long the fact that the entire Koreans meted out a punishment in the name of the whole nation to the criminals who violated ethics and morality, wrecked national reconciliation and unity and blocked the road to dialogue and reunification.

We take this opportunity of expressing the belief that the South Korean students and people will more courageously wage the struggle for independence, democracy and national reunification in hopes of a bright future of the nation and the reunification of the country.

We will more vigorously fight to accomplish the cause of the independent and peaceful reunification of the country, closely united behind the dear leader Comrade Kim Chong-il, as wished by the respected leader Comrade Kim Il-song in his lifetime.

Defector's News Conference, 'Plots' Denounced

SK3007114794 Pyongyang KCNA in English 1135 GMT 30 Jul 94

[Text] Pyongyang, July 30 (KCNA)—The world people now see more clearly what kind of plots the South Korean puppet Security Planning Board (SPB) frames.

As already reported, the SPB on July 27 let Kang Myong-to who it alleged "went over to South Korea from the North" claim at a "press conference" that North Korea is already possessed of five atomic bombs.

After doing this, the "SPB" plotters drank their fill on their high horse at a restaurant that night, as if they had done a big thing.

But, recovering from their intoxication, they found that the five A-bombs caused a big trouble. The political circles of South Korea were thunderstruck, Washington was in fury and the western media were in turmoil.

We had already made a comment on what Kang said according to the script written by the SPB. The allegation that the North has "five A-bombs" was invented by the

SPB under the baton of Kim Tok because it was necessary for it. And it was made public with the approval of "Chongwadae [presidential offices]."

In less than 24 hours, the "SPB" and "Chongwadae" themselves denied the announcement.

On July 28, the puppet SPB officially announced it "could not confirm the North's alleged possession of five nuclear bombs" for the lack of supporting information, and the "Chongwadae" authority officially stated that the remarks made by Kang Myong-to in excitement about the North's possession of nuclear bombs utterly lacked credibility.

In this connection, the Christian Broadcasting System of South Korea said: "With the official announcement of the government authorities that Kang Myong-to's remarks about nuclear bombs are incredible, the Democratic Liberal Party and the Democratic Party which had manifested their position for a strong countermeasure became ridiculous. This has only made people suspect that the intelligence service deliberately fostered the consciousness of a security crisis from the beginning."

It is reported that concerning the plot framed by the "SPB," the United States complained that South Korea deliberately faked up the case on the threshold of the DPRK-USA talks scheduled on August 5 to hinder the talks and sent a message to "Chongwadae," expressing regret.

That was not the end of the story. The political and public circles of South Korea including the opposition parties strongly demand "an immediate dismissal of Kim Tok, director of the SPB," who created fear among people. So the puppet authorities cannot raise their heads.

It is no use crying over spilt milk.

Whatever pretext the "SPB" may make and however hard "Chongwadae" may try to evade responsibility, the drama they wrote and directed inevitably invites the criticism of the world people.

The preposterous intrigue of the puppet SPB this time makes the world people no more believe any word of the "SPB."

As we had already stressed, just as the utterances of Kang Myong-to about nuclear bombs under the manipulation of the "SPB" are a lie, so the claim that he is a son-in-law of the premier of the DPRK Administration Council is a lie.

We would like to add one word to it. It is the same as before that there is no marriage between the same surname and family seat in the northern half of Korea like in South Korea. Even if they insist that Mr. Kang and Miss Kang got married, it is an incredible balderdash like the remarks about "nuclear bombs." This only betrays their ignorance of nuclear bombs and customs and their attempt to raise the price of his body.

The South Korean puppet SPB claims that Kim Tong-un who is said to have worked at the "Kumgangsan Trading Company" of the DPRK has also "gone over to the South." There is neither such a trading company nor a trade official of such name in our republic.

Though the puppet security planning board is trying to impair the international prestige of our republic by making a literature, clumsily enough, and get something from it, a criminal cannot conceal his color as in the case of Kang Myong-to.

It is ridiculous of the "SPB" to think that it can freely fabricate anything, though it is in a position to do whatever it pleases with undisputed power.

Though the Kim Yong-sam group repents belatedly, rebuking the puppet SPB, it cannot evade the punishment for the crime already committed by it.

We are disillusioned about the fact that Kim Yong-sam is maintaining his power in reliance upon such an intelligence machine as "SPB".

The South Korean people will decisively blow up the puppet SPB which commits all crimes and vices, and mete out a merciless punishment to the puppet rulers.

Kim Yong-sam's Treatment of Hanchongnyon Viewed

SK3007104394 Pyongyang KCNA in English 1034 GMT 30 Jul 94

[Text] Pyongyang, July 30 (KCNA)—The director of the Youth and Student Department of the South Korean National Democratic Front (Hanminjon) in a statement July 26 denounced the Kim Yong-sam group for scheming to fundamentally stamp out the student movement itself by linking the South Korean Federation of General Student Councils (Hanchongnyon) with the North in a far-fetched manner, the Seoul- based radio Voice of National Salvation reported.

The Kim Yong-sam group manipulated "support" to the outcries of Pak Hong, president of Sogang University, who branded Hanchongnyon as a "leftist pro-communist organisation" moving on instructions of the North, the director said, and noted:

In order to fundamentally obliterate the student movement itself by linking Hanchongnyon with the North in a far-fetched manner, the Kim Yong-sam group put up such pseudo educationist as Pak Hong to fake up "instructions of the North" doctrine without evidence and is wielding swords of wholesale crackdown. But this brings only self-destruction.

There is no place for such a "teacher" as human rubbish stabbing students in the back with a dagger to stand on the platform of universities of South Korea.

A campaign to expel such subsidized professors as Pak Hong from university should be launched vigorously in the whole society.

Hanminjon, youth and students and people of all walks of life will certainly bury through struggle the Kim Yong-sam traitorous group which was brutally suppressing youth and students and patriotic people who were expressing deep condolences, not being satisfied with such anti-ethical, anti-national act as setting fire to the house in mourning at the time when the whole nation and all the mankind are overcome with indescribable sorrow and grief at the loss of the greatest of great men.

'Antinational Acts' of ROK Government Denounced

SK3007104994 Pyongyang KCNA in English 1039 GMT 30 Jul 94

["It Will Be of No Use, Even if S. Korean 'Civilian' Fascists Repent of What They Have Done; Statement of CPRF"—KCNA headline]

[Text] Pyongyang, July 30 (KCNA)—The Committee for the Peaceful Reunification of the Fatherland (CPRF), in a statement today, says that the anti-national acts of the South Korean rulers are ridiculous and rash acts of wretches whose days are numbered.

The statement says:

The inter-Korean relations which had been heading for reconciliation have now begun turning back to the original point of confrontation. Such developments are attributable to the fact that the South Korean ruler Kim Yong-sam, a party to the North-South summit, perpetrated military provocations, committing without hesitation the never-to-be-condoned treachery of abusing for an interior political purpose the misfortune that befell the other side of the dialogue.

All the countrymen have sentenced the South Korean "civilian" dictators to death in the name of the nation, branding the crime they committed this time as the worst one in violating the etiquette of the nation and insulting the whole nation.

Since the "civilian" dictators committed an indelible crime against the nation, they will never evade a stern judgment by the nation.

Even if they apologize belatedly to the nation for the crime, they cannot be pardoned nor can they atone for it.

Their crime is the most heinous anti-national crime that can be settled only by a thousand-fold punishment.

Our national history will record before long the fact that our fellow countrymen meted out punishment in the name of the whole nation to the criminals who violated ethics and morality, wrecked national reconciliation and unity and obstructed dialogue and reunification.

Kim Yong-sam's 'Fascist Hysteria' Denounced

SK3007101594 Pyongyang KCNA in English 1006 GMT 30 Jul 94

["Kim Yong-sam Group's Fascist Frenzy Condemned"—KCNA headline]

[Text] Pyongyang, July 30 (KCNA)—The Central Committee of the South Korean National Democratic Front (Hanminjon) in a statement July 28 denounced the Kim Yong-sam group for cracking down on the South Korean Federation of General Student Councils (Hanchongnyon) and patriotic democratic forces including the followers of the chuche idea, the Seoul-based radio Voice of National Salvation reported.

The traitor Kim Yong-sam has launched into a wholesale suppression of Hanchongnyon and patriotic democratic forces including students of the chuche idea group, that expressed condolences on the death of the father of the nation, branding them as forces threatening "the liberal democratic system", the main force for reunification by communizing the South under the "manipulation of the North," through the mouths of the puppet prime minister, the "minister of justice" and other fascists, venal university presidents of the worst type and other anticommunists, the statement says, and continues:

This fascist rowdysm of the Kim Yong-sam group is a base retaliation of those branded as depraved hooligans by human conscience, a wretched wriggle of the traitors who feel a crisis from the people's condolences and their fervor of reunification and a desperate effort of the political charlatans to iron out the crisis of the "civilian" regime that has reached the limit with "a new security-oriented rule".

Our Hanminjon and patriotic people bitterly denounce the fascist hysteria of the Kim Yong-sam group as an unpardonable declaration of war against democratic patriotic forces aspiring after independence, democracy and reunification and an intolerable treachery to turn the trend of reconciliation and reunification back to confrontation and division.

The representative forces of independence, democracy and reunification representing the will and interests of our people are the followers of the chuche idea, the forces of national democratic movement.

The chuche idea is a great trend representing the era and people's sentiments. There is no country in the East and West where chuche idea followers do not exist and there is no country where their activities are restrained.

But they are a target of merciless suppression only in South Korea. This proves that the South Korean social system is an anachronistic, anti-historical, anti-national, anti-popular closed system.

By mounting a feverish fascist offensive to stifle the hardcore forces of independence, democracy and reunification, the follower of the chuche idea in particular, that maintained their lifeline even under the "fifth republic" and "sixth republic", the Kim Yong-sam group has stripped itself naked to reveal its true color as a more heinous fascist group and a more atrocious traitor group than the military dictators, far from being "civilian".

Since the Kim Yong-sam group has declared a war to the patriotic people of all strata, our Hanminjon cannot but resolutely rise up in the struggle to overthrow it.

We will join all the people in throwing the Kim Yong-sam group into a gutter.

Actions Against Pro-Chuche Students Denounced

SK3007102394 Pyongyang KCNA in English 1014 GMT 30 Jul 94

["Political Gangsterism Against Ideology"—KCNA headline]

[Text] Pyongyang, July 30 (KCNA)—Kim Yong-sam and his henchmen have launched a heinous suppressive offensive against the students and people who are following the chuche idea.

They are intensifying the reactionary offensive against the national democratic forces, alleging that an organisation called "Vanguard for National Salvation" is directing the labor movement and the student movement behind the scene, in an effort to link it with the North.

Commenting on this, a NODONG SINMUN analyst today says.

This is an unpardonable criminal act of trampling upon the people's elementary freedom of choice of ideology. Such acts can be committed only by such ignorant political gangsters as the South Korean rulers without knowledge of politics and philosophy or an iota of national conscience and reason of humanity.

It is only too natural in every aspect for the fellow countrymen of South Korea to follow the great chuche idea which foreigners with different languages and colors are enthusiastically following.

It is quite reasonable for the South Korean people to become ardent adherents of the patriotic chuche idea, enchanted by it that indicates the way of defending independence of the nation and national interest. It is an inalienable right.

If the followers of the chuche idea in South Korea called for national independence and democracy, it is a patriotic act that fully conforms to the desire and purpose of the people who want to throw off the yoke of colonial slavery imposed upon them by outside forces, regain the lost dignity and sovereignty of the nation and live in a democratic land free from fascism.

Recalling that the South Korean authorities are cracking down upon the followers of the chuche idea, branding them as "the internal enemy", the commentary points out:

If the righteous demand of the followers of the chuche idea for national independence, democracy and reunification is a criminal act of "challenging the liberal democratic system" as the South Korean authorities argue, the "liberal democratic system" of South Korea means an anti-independence, anti-democracy and anti-reunification system which is opposed to national independence, democracy and national reunification.

For the South Korean authorities to brand the followers of the chuche idea as a force "flying in the face of the liberal democratic system" and "following communism blindly" and a "leftist violent force," is a mean act to justify their suppression. This shows to the world with added clarity that the South Korean society is a sanguinary society of dictatorship and a closed society blocking the current of the times. Ideology cannot be handcuffed, however.

If the South Korean rulers do not want to follow the shameful course of the predecessors who met their destruction while suppressing the ideology of the people, they must immediately give up the ferocious acts of anti-communist hysterics such as suppressing the followers of the chuche idea with the bayonet.

'Great National Unity', N-S Contacts Urged

SK0108104994 Pyongyang KCNA in English 1036 GMT 1 Aug 94

["NODONG SINMUN Calls For Great National Unity"—KCNA headline]

[Text] Pyongyang, August 1 (KCNA)—NODONG SINMUN today carries an article titled "A Highly Important Work Calling For National Unity and Reunification" on the lapse of three years since the great leader President Kim Il-song published "Let Us Achieve the Great Unity of Our Nation", a talk with the senior officials of the Committee for the Peaceful Reunification of the Fatherland [CPRF] and the members of the North side's headquarters of the National Alliance for the Country's Reunification [Pomminnyon], on August 1, 1991.

The article quotes the great leader Comrade Kim Il-song as saying:

"Great national unity is a fundamental precondition for the achievement of the independent and peaceful reunification of our country, as well as the most essential aspect of it. The first and foremost task in achieving national reunification is to achieve the great unity of our nation."

The paper says:

In the work Comrade Kim Il-song, basing himself on a wise formulation of the problems of reunification and the nation, clarified the relations between the reunification of the country and great national unity and gave a scientific and theoretical exposition of the ideological basis, fundamental principles and ways of great national unity.

Noting that the driving force of national reunification is the entire Korean nation and the strength of the driving force is immediately the strength of its unity, he said the decisive guarantee for independent and peaceful reunification lies in achieving the unity of the whole nation and strengthening the driving force for reunification.

He set it as a fundamental principle which should be firmly adhered to in achieving great national unity, that compatriots of all social strata in the North, South and abroad place the common national interests above all else and subordinate everything to the cause of national reunification, transcending differences in idea, social system and religious belief.

He also stressed that if the great unity of the nation is to be achieved, contacts and visits must be widely encouraged among the fellow countrymen in the North, South and abroad and dialogue be promoted actively among them, nationwide solidarity be strengthened in the struggle for national reunification and all the political parties, organizations and compatriots of all strata in the North, South and abroad struggling for the reunification of the country must ally themselves organizationally.

That great national unity must be achieved for the reunification of the country is the conclusion drawn from the wise leadership, brilliant exploits and precious experiences of the great leader Comrade Kim Il-song, who had led the revolution and construction to victory, placing the interests of the nation above all else and relying on the united strength of the people.

It was his supreme task and greatest desire in his lifetime to see that independence of our nation was realized, common development and prosperity of the nation achieved and the entire Korean nation live a happy and worthwhile life in a reunified country.

The entire fellow countrymen in the North, South and abroad will accelerate the independent and peaceful reunification of the country under the banner of great national unity, thus fully carrying into practice in this land what Comrade Kim Il-song intended and wished in his lifetime.

South Accused of 'Hysteric Military Provocations'

SK3107082794 Pyongyang KCNA in English 0817 GMT 31 Jul 94

["S. Korean Bellicose Elements Continue Committing Military Provocations in DMZ"—KCNA headline]

[Text] Pyongyang, July 31 (KCNA)—The South Korean war-thirsty elements committed hysteric military provocations against the North, illegally bringing heavy weapons and armed bandits into the demilitarized zone [DMZ] along the Military Demarcation Line, according to military sources.

On the 29th, armed bandits brought a 90mm recoilless gun and a 12.7mm large-calibre machine gun into the DMZ from Mago-ri, Chung-myon, Yonchon County, Kyonggi Province, South Korea, and gravely threatened the safety of People's Army soldiers on their routine duty by taking a firing posture.

Earlier, on July 26 and 27, the South Korean war-likers introduced large-calibre machine guns into the DMZ on the central and western sectors of the front and brought hundreds of bandits armed with machine guns and automatic weapons into the Southern portion of the DMZ before Mt. Taedok east of Panmunjom and before Mt. Sobang in Phyonggang County, on July 26 and 28, whipping up war fever.

The armed bandits illegally brought into the DMZ by the South Korean bellicose elements from July 20 to 29 totalled more than 3,100.

The frantic war rackets of the South Korean war-likers under our eyes are deliberate and premeditated provocations to foster distrust and confrontation between the North and the South and bring the situation on the Korean peninsula to an acute tension.

Religionists' Council Requests South Contact

SK0108054394 Pyongyang KCNA in English 0524 GMT 1 Aug 94

[Text] Pyongyang, August 1 (KCNA)—A spokesman of the Korean Religionists' Council issued a statement July 31 in response to the proposal of the recently inaugurated "South side headquarters for 1994 North-South human chain relay for peace and reunification" that the North and the South co-host the "human chain relay" this year.

The spokesman said:

"Considering this proposal to have been motivated by the desire to elate the people's will and fervor for reunification, demonstrate that the nation is one and promote national reunification on the principles of independence, peaceful reunification and great national unity, we hope the forthcoming relay will contribute to the unity of the pro-reunification movement including religionists.

"For a success of the relay, we respectfully suggest a negotiation with delegates of the South side headquarters about practical matters related to the co-hosting at the Tongil House in our side's portion of Panmunjom at ten a.m. August 5 (Friday)."

South Koreans 'Reverence' for Kim Chong-il Noted

SK2807102394 Pyongyang KCNA in English 1016 GMT 28 Jul 94

["Dear Leader Kim Chong-il Is a Peerless Hero"—KCNA headline]

[Text] Pyongyang, July 28 (KCNA)—South Korean people of various strata expressed deep reverence for the dear leader Comrade Kim Chong-il.

A professor of Pusan National University told his colleagues:

"The dear leader Kim Chong-il is, indeed, a master of thought and theory who has indicated the orientation and strategy to mankind, taking the helm of the history. With him as the lodestar of the nation and the sun of the present era, our people are living and fighting with fortitude, undergoing all trials under the oppression of outside forces and fascist suppression."

An inhabitant in Seoul, showing the book "Lodestar of the Era of Independence" to his colleagues, said:

"What is the greatest honor, pride and happiness for a country and nation? It is to have a great leader. It is the greatest honor, happiness and pride for our people to have sagacious Mr. Kim Chong-il as the leader of the nation. Under his guidance, the day when the 70 million fellow countrymen will shout the hurrah of reunification is drawing near."

An old man Choe in Pusan told his son and friends:

"The dear leader Kim Chong-il is a peerless hero without an equal in the world. Having him as the leader is not only a fortune of the nation but a bliss of which the Korean people should pride themselves for all ages. You must remain faithful to him in one mind and true to his intention."

A political figure residing in Mapo District said: "If the national-historic cause of the country's reunification is to be accomplished without fail in the '90s, it is important to hold the dear leader Kim Chong-il in high esteem and follow his leadership. This is vital to the building of a reunified country and its prosperity and development."

A teacher in Taejon said no force can bar him from trusting and following the dear leader with his true-heart as his mental support.

Pomminnyon Views ROK Condolence, Talks Issue

SK3107084894 Pyongyang KCNA in English 0839 GMT 31 Jul 94

[Text] Pyongyang, July 31 (KCNA)—The overseas headquarters of the National Alliance for the Country's Reunification (Pomminnyon) on July 28 published an article denouncing the inhuman and senseless hostile acts the South Korean authorities have committed, launching a repressive campaign, at a time when all the fellow countrymen were writhing in bitterest grief and pain at the loss of President Kim Il-song, the great father of the nation.

The article said:

The high-handed attitude of the South Korean authorities reveals their hostile and provocative stance to attack the opposite side when the slightest chance presents itself.

The immoral act of the South side's authorities in creating tensions with a tougher confrontational posture than ever before, seizing upon the chance when the other side was overcome by bitterest grief and pain, is an act of totally trampling underfoot the demand of the times for opening a new phase of reconciliation and unity by taking advantage of summit talks. It cannot evade a stern judgment by the nation of 70 million in the North, South and overseas.

The South side's authorities must draw a serious lesson from the tragic end of the successive regimes which ignored the desire of the nation for reunification and the demand of the times by pitting themselves against the fellow countrymen, clinging to the coattails of outside forces.

If they do not want to follow in their footsteps, they must promptly repeal the anachronistic "national security law" which defines fellow countrymen as "an enemy" and immediately release all the pro-reunification patriotic figures under illegal arrest by humbly complying with the demand of the whole nation, and thus sincerely meet the earnest desire of the nation of 70 million for reconciliation and unity. It is not too late, yet.

The overseas headquarters of Pomminnyon strongly demands that the South side's authorities express condolences with due courtesy and approach the summit talks with an honest stance, thus responding to the desire of the 70 million compatriots for reunification.

People 'Bitterly Denounce' ROK Authorities

SK2707105994 Pyongyang KCNA in English 1042 GMT 27 Jul 94

[Text] Pyongyang, July 27 (KCNA)—People of all walks of life of Korea bitterly denounce the South Korean authorities for lacerating the painful hearts of the fellow countrymen at a time when the whole country and the whole world were mourning the death of the great leader President Kim Il-song. They brand this as a barbarous act of those without national conscience and ignorant of ethics, morality and courtesy, who are inferior to beasts.

Pak Pong-san, a researcher of the Law Institute of the Academy of Social Sciences, said: "The South Korean chief executive should have shown etiquette, sharing the sorrow and misfortune of fellow countrymen, being a partner of the projected North-South top-level talks. But he suppressed at the point of the bayonet those who were expressing condolences. Can a man do such thing?

"The South Korean authorities are a band of hooligans who ignore elementary etiquette and morality of man, to say nothing of national conscience, and barbarians without blood of fellow countrymen. Their barbarous acts will be cursed even in future and they will have to pay dearly for them."

Kang Il-kwan, chief engineer of the Yongrim cooperative farm, Mundok County, South Pyongan Province, noted:

"The sinister acts of the South Korean rulers this time are completely contrary to the three principles for national reunification—independence, peaceful reunification and great national unity—and the basic spirit of the North-South agreement on reconciliation, nonaggression, cooperation and exchange.

"All the problems, big and small, arising between the North and the South should be solved on these common principles and the supreme principle and be strictly subordinated to them."

Kil Sang-pong, a department director of the Central Committee of the League of Socialist Working Youth of Korea, said: "This base, unreasonable and heinous barbarism of the South Korean authorities without precedent in history will never be pardoned.

"We will sweep away the South Korean group of traitors and accomplish the historical cause of national reunification without fail."

People Mourning Kim Il-song's Death Described

SK0108152294 Pyongyang KCNA in English 1509 GMT 1 Aug 94

[Text] Pyongyang, August 1 (KCNA)—On July 19, the Korean people bid their last farewell to the great leader President Kim Il- song they believed in as in heaven and followed as their father.

That day, the millions of citizens of Pyongyang on more than 40- kilometre long route and all other people of Korea sobbed bitterly, tears streaming down their cheeks, at the thought that they would never see President Kim Il-song again.

"Don't go. You must not go. No you mustn't!" they wailed, calling "leader!" "father!" they fancied that he was hearing their pathetic entreaties and saying they must not feel too sad, he was with them and they should live a happy life through generations, holding Comrade Kim Chong-il in high esteem.

Watching the ceremony of bidding the last farewell to President Kim Il-song on the television, the local people felt their hearts contract with pain when they saw his large portrait that reminded them of the appearance of the president in his lifetime.

The miners of Komdok recollected the day when the president visited their working site and encouraged them, placing trust in them, the peasants of Oeso-ri looked back on the day when he met a woman tractor driver and showed a deep loving care for her on his way of on-the-spot-guidance and the peasants of Yongchon-ri, Hwangju County, recalled the day when he took a boiled green maize for a meal, continuing his trip of on-the-spot-guidance. Thinking of all this, they broke into sobs crying he must no go, he would always be with them.

What remains in their minds is the appearance of President Kim Il-song as bright as the sun, the president standing with a broad smile on his face on the rostrum of a square and on the platform of a meeting, by a machine of a factory and on the edge of paddy and nonpaddy fields.

One day when a girl and a boy who had lost their parents at the hand of the enemy at their very young age held a wedding, the president told the couple that they must not weep on that happy day, the picture would be spoilt, if they were in tears, and they should stand before the camera with smiles, the couple looked up to the president with a bright smile on his face and posed for a photograph, gulping down tears.

The president was very happy when he held a triplet in his arms, saying the birth of triplets is a sign of the prosperity of the country. It was also him who (?was) concerned over the health of a scientist, sent him a wild insam (ginseng) which had been presented to him by the people, wishing for his longevity.

President Kim Il-song was such a man.

He was more of the father, the teacher and heaven for the people than the president.

As the people were in perfect harmony with him, they felt so deep grief at his death.

The French paper LE MONDE July 21 said:

"This time we could see North Koreans loudly wailing for ten days after the death of President Kim Il-song. This is not a thing which can be seen in all countries. We felt how devoutly they worshipped him."

Though the president left the Korean people, they still visit his statues standing on Mansu Hill in the center of Pyongyang and in other parts of the country and honor his memory with reverence.

The benevolent appearance of President Kim Il-song will always remain in the hearts of the Korean people as the sun.

Cuban Embassy Officials Honor Kim Il-song

SK2707051794 Pyongyang KCNA in English 0448 GMT 27 Jul 94

[Text] Pyongyang, July 27 (KCNA)—Jose Ramon Rodriguez Varona, Cuban ambassador to Korea, and his embassy officials Tuesday visited the statue of the great leader President Kim Il-song on Mansu Hill of Pyongyang to honor his memory.

They laid bouquets of flowers before the statue and paid a moment's silent tribute to the memory of President Kim Il-song who devoted his whole life to the freedom and happiness of the people, defended the socialist banner to the end and performed undying feats for the accomplishment of the human cause of independence.

Danes, Japanese Lay Wreaths Before Kim's Statue

SK2807061694 Pyongyang KCNA in English 0455 GMT 28 Jul 94

[Text] Pyongyang, July 28 (KCNA)—A delegation of the Danish Workers' Party, common cause led by Chairman Preben Moller Hansen on a visit to Korea laid a wreath before the statue of the great leader President Kim Il-song on Mansu Hill in Pyongyang on July 27 and observed a moment's silence to honor his memory.

The head of the delegation said that the death of the great leader Comrade Kim Il-song is a big loss not only for the Korean people but also for the world working class and revolutionary people.

He noted:

"Comrade Kim Il-song was a typical leader of the socialist cause and an elder in the international communist movement. He will be alive forever in the hearts of the Korean people and the world people.

"The revolutionary cause started by him is being successfully carried to accomplishment by dear Comrade Kim Chong-il.

"We are firmly convinced that the Korean people will change bitter sorrow into new strength and courage and effect a new upswing in the revolution and construction under the guidance of Comrade Kim Chong-il."

A delegation of the S.B.B. Co., Ltd. of Japan led by Akihiko Watanabe laid a wreath before the statue of President Kim Il-song and observed a moment's silence on the same day.

Condolence Messages, Embassy Visits Continue

SK2707102694 Pyongyang KCNA in English 1003 GMT 27 Jul 94

[Text] Pyongyang, July 27 (KCNA)—Messages of condolence came to the Central Committee of the Workers' Party of Korea from foreign party leaders on the death of the great leader President Kim Il-song.

Among them are Ali Yata, general secretary of the Moroccan Progress and Socialism Party; Abdel Hamid Mehri, secretary general of the Central Committee of the Algerian National Liberation Front; Roger Gailliez, general secretary of the Belgian Socialist Party (Vallon); Feliciano Salomao Gundana, secretary general of the Central Committee of the Mozambique Liberation Front Party; President Marian Donnelly, General Secretary Pat Quearney and executive member and National Treasurer Sean Garland of the Workers' Party of Ireland; Rene Mauge Mosquera, general secretary of the Central Committee of the Communist Party of Ecuador; and Inoussa Bello, general secretary of the National Workers' Party of Benin.

The messages express deep condolences on the death of President Kim Il-song.

They express the belief that the Central Committee of the Workers' Party of Korea and the Korean people will change the sorrow at the loss of President Kim Il-song into strength and courage and more vigorously push ahead with the onward movement for the prosperity of the country and national reunification.

And messages of condolence came to the Central Committee of the WPK from the C.C. [Central Committee], the Congolese Party of Labour, the C.C., the New Communist Party of the Netherlands, the supreme board of the Social-Democracy of the Polish Republic and the C.C., the Progressive Party of the Working People of Cyprus.

260 Cases of U.S. 'Aerial Espionage' Alleged

SK3107082294 Pyongyang KCNA in English 0812 GMT 31 Jul 94

[Text] Pyongyang, July 31 (KCNA)—The U.S. imperialists carried out intensive aerial espionage on the northern half of Korea round the clock in July by letting fly a large number of South Korea- and Japan-based reconnaissance planes of different types on various missions on more than 260 occasions as of July 29, according to military sources.

On the 28th, three U-2s committed photographing and electronic reconnaissance on strategic targets in the interior of the North side, making shuttle flights from the west sea to the east sea day and night. Their reconnaissance numbered 44 cases in July .

Overseas-based RC-135s flown to the sky above South Korea committed electronic reconnaissance on ten odd cases, something unprecedented in recent years.

The facts fully prove that the U.S. imperialists are putting spurs to the war preparations against the North, though they are talking about the relaxation of tensions on the Korean peninsula.

Japan's Ozawa Criticized for Nuclear Remarks

SK3007151394 Pyongyang KCNA in English 1507 GMT 30 Jul 94

[Text] Pyongyang, July 30 (KCNA)—Ichiro Ozawa, representative of the Shinseito Party of Japan, in his recent talks with former U.S. President Bush in the United States reportedly cried for "coping with a possible situation" over the non-existent "nuclear weapon development" by the DPRK.

We cannot remain silent at Ozawa's outcry for "coping with a possible situation" that came at a time when a prospect is in sight for solving the nuclear issue on the Korean peninsula and other pending issue in a package deal at the third round of DPRK-U.S. talks to be held soon.

His impudent remarks reveal his sinister political intention to hinder the progress of the third round of talks, ignoring the unbiased public opinion calling for a solution to the nuclear issue on the Korean peninsula through the medium of dialogue and negotiation.

Lurking behind them is a criminal scheme to drive the situation on the Korean peninsula back to a phase of tensions and try Japan's "counter-posture" for an "event of contingency."

This wicked scheme was fully revealed in his remarks at a luncheon with members of the group of the U.S. Congressmen for the study of Japanese affairs. There he openly let out a bellicose blast that Japan "will participate in joint actions including military aspect" as regards its "counterreaction" against North Korea.

The insolent outcries of Ozawa that Japan would not rule out the use of arms against the DPRK in cooperation with other countries in the "event of contingency" on the Korean peninsula are a grave threat and undisguised military challenge to the DPRK.

Unpardonable are the hostile acts of Ozawa who was the first to cry for the dispatch of the Japanese "Self-Defence Forces" to the Korean front in the "event of contingency" and has quite often slandered the DPRK and again called for "a military counter-posture" over its "nuclear issue".

It is known to the world that he was in the past a behind-the- scene manipulator of the nuclear armament of Japan and its conversion into a military power. It is as clear as noonday that what is sought by Japan in its nuclear arming and its conversion into military power is to stage a comeback to Korea and dominate Asia.

Ozawa must act with discretion and discard his had habits of slandering others.

Danish Party, WPK Delegations Hold Talks

SK2807062994 Pyongyang KCNA in English 0459 GMT 28 Jul 94

[Text] Pyongyang, July 28 (KCNA)—A delegation of the Workers' Party of Korea [WPK] held talks in Pyongyang Wednesday with a delegation of the Danish Workers' Party, Common Cause.

Present at the talks on the Korean side were Hwang Chang-yop, secretary of the WPK Central Committee, and officials concerned and on the opposite side were the members of the delegation led by chairman Preben Moller Hansen.

At the talks the WPK side appreciated the efforts of the Danish Workers' Party, Common Cause to accomplish the people's cause of independence.

The opposite side expressed deep condolences on the death of the great leader Comrade Kim Il-song in the name of the Danish Workers' Party, Common Cause and its delegation, and said that its party members were sharing the sorrow with the Korean people.

It stressed that Comrade Kim Il-song was a great leader of the Korean people and the world's revolutionary people, a great master of idea and leadership and a great man of the world revolution.

It expressed the resolution to keep close relations with the Workers' Party of Korea led by the dear leader Comrade Kim Chong-il and continue supporting and encouraging the Korean people in their struggle for the reunification of the country and the cause of socialism in the future.

At the talks the sides informed each other of the activities of their parties and discussed a series of matters.

The talks took place in a friendly atmosphere.

Committee Sends Greeting to Peruvian President

SK2707105894 Pyongyang KCNA in English 1036 GMT 27 Jul 94

[Text] Pyongyang, July 27 (KCNA)—The Central People's Committee of the Democratic People's Republic of Korea on July 26 sent a message of greetings to President Alberto Fujimori Fujimori on the independence day of Peru.

The message wished the president and the Peruvian people success in their work to promote national harmony and achieve the prosperity of the country and expressed the belief that the friendly and cooperative relations between the two countries would continue to develop.

Peru Congratulated on Independence Anniversary

SK2807103094 Pyongyang KCNA in English 1019 GMT 28 Jul 94

[Text] Pyongyang, July 28 (KCNA)—Papers here today dedicate signed articles to the 173rd anniversary of the independence of Peru.

MINJU CHOSON in an article says that the achievement of independence by the Peruvian people was an important occasion which opened a prospect for liquidating the aftermath of the colonial rule and making progress of the country.

The Peruvian people made achievements in their efforts for stability of the country and development of the economy against the aggression and interference of the imperialists after the independence, the paper notes, and goes on:

The Korean people are sincerely rejoiced over the successes of the Peruvian people in their efforts for the independent development of the country and the building of a new life.

Korea and Peru established diplomatic relations on December 15, 1988, which was an important occasion in the development of friendly relations.

The Korean people will strengthen and develop friendship and solidarity with the Peruvian people in the idea of independence, peace and friendship.

Political Figures Abroad Support Reunification

SK0108103294 Pyongyang KCNA in English 1015 GMT 1 Aug 94

[All names are as received]

[Text] Pyongyang, August 1 (KCNA)—Political and public figures of the world say that the three principles of independence, peaceful reunification and great national unity advanced by the great leader President Kim Il-song are principles of reunification common to the nation that the North and South of Korea confirmed and solemnly declared at home and to the world and they are the most just and realistic reunification programme.

Rashed Khan Menon, general secretary of the Central Committee of the Workers' Party of Bangladesh, emphasized that the three principles of national reunification put forward by the great leader Comrade Kim Il-song serve as the foundation stone in the struggle to achieve the reunification of the country in the interests of the Korean people.

The President of the Arab Republic of Egypt, Muhammad Husni Mubarak, said the Korean people must reunify the country by means of founding the Democratic Confederal Republic of Koryo on the three principles of national reunification.

Jose Francisco Aguilar Bulgarelli, general secretary of the popular force organised in Costa Rica, stressed that the three principles of independence, peaceful reunification and great national unity constitute the most significant and justifiable reunification programme which is in complete accord not only with the Korean people's will and interests but also with the trend of the present era and the desire of the world people.

Om Prakashi Mantri, secretary general of the Asian Regional Committee for Supporting Korea's Reunification, said:

"The three principles of national reunification are principles of reunification common to the nation which the North and South of Korea confirmed and declared at home and to the world. It makes the foundation for Korea's reunification. In these principles the U.S. troops must be pulled out of South Korea and the reunification of Korea be achieved in reliance upon the strength of the Korean nation itself, independently and in a peaceful way."

Ex-speaker of the National Assembly of the United Republic of Tanzania Adam Sapi Mkwawa pointed out: "Today the world revolutionary people sincerely hope for the realisation of Korea's reunification by the confederacy formula.

"If the South Korean authorities truly want to see the reunification of the country, they should take a correct stand and stance toward the three principles of national reunification.

"The attitude toward the three principles will be a touchstone showing who truly wants peace in Korea and her reunification and who seeks war and division."

Funeral Service for Kang Hui-won Held 30 Jul

SK3107084394 Pyongyang KCNA in English 0833 GMT 31 Jul 94

[Text] Pyongyang, July 31 (KCNA)—A state funeral of Kang Hui-won, alternate member of the Political Bureau of the Central Committee of the Workers' Party of Korea and vice-premier of the Administration Council, was solemnly held in Pyongyang on July 30.

Present at the funeral service were member of the Political Bureau of the Central Committee of the Workers' Party of Korea [WPK] and Vice-premier of the Administration Council and Foreign Minister Kim Yong-nam, member of the Political Bureau and Secretary of the C.C. [Central Committee], the WPK Han Song-ryong, other senior officials of the party and government and the bereaved family of the deceased.

The last farewell to the deceased was bade at the Patriotic Martyrs' Cemetery in the suburbs of Pyongyang.

Hong Song-nam, alternate member of the Political Bureau of the C.C., the WPK and vice-premier of the Administration Council, delivered the funeral address of the Central Committee of the Workers' Party of Korea, the Central People's Committee and the Administration Council of the Democratic People's Republic of Korea.

The funeral address said Kang Hui-won led a glorious life of a loyal subject boundlessly faithful to the party and the leader, deeply cherishing the favors bestowed upon him by the great leader Comrade Kim Il-song and the dear leader Comrade Kim Chong-il, and devoted his all to the strengthening and development of the party and the people's power and to the economic construction of the country.

"We will always remember him who devoted himself to the noble struggle for the motherland and the revolution," the mourning address stressed.

The coffin was buried while the band played the dirge and a gun salvo was fired.

Citizens Express Condolences

SK3107062794 Pyongyang Korean Central Broadcasting Network in Korean 0102 GMT 31 Jul 94

[Text] A state funeral service for the late Comrade Kang Hui-won, candidate member of the Political Bureau of the Central Committee of the Workers' Party of Korea [WPK] and vice premier of the State Administration Council, was solemnly held in Pyongyang on 30 July.

In attendance at the funeral service, along with the bereaved family of the deceased, were the members of the State Funeral Committee—including Comrade Kim Yong-nam, member of the Political Bureau of the Central Committee of the WPK, vice premier of the State Administration Council, and foreign minister; and Comrade Han Song-yong, member of the Political Bureau of the Central Committee of the WPK and secretary of the party Central Committee—and functionaries in relevant sectors.

The honor guards of the Korean People's Army were standing by the bier of the deceased.

Prior to the starting of the funeral procession, the family and relatives of the deceased, and the members of the State Funeral Committee expressed condolences before the bier of the late Comrade Kang Hui-won.

At 10:00, the bier of the deceased was carried out amid the playing of the tune of dirge.

The streets of the capital city, along which the hearse of the deceased was moving, were in grief over the loss of Comrade Kang Hui-won who had been boundlessly loyal to the party and the leader [suryong].

The citizens stopped to express deep condolences in memory of Comrade Kang Hui-won, who had resolutely struggled up until the last moment of his life to carry through our party's lines and policies for the socialist revolution and construction.

The hearse arrived in the Cemetery for the Deceased Patriots in the suburbs of the city of Pyongyang. A ceremony to bid a last farewell to the deceased was held on the spot. After the national anthem was played, Comrade Hong Song-nam, candidate member of the Political Bureau of the Central Committee of the WPK and vice premier of the State Administration Council, delivered a condolatory address.

While the dirge was played and a volley was fired for the deceased, the bier of the deceased was placed in the tomb. The cadres of the party and the government, and the family of the deceased scattered earth over the bier of the deceased.

While a tune for the presentation of wreaths was played, wreaths were presented at the tomb.

Those on hand at the funeral service paid a silent tribute in memory of the deceased.

Although Comrade Kang Hui-won has died, his achievements that he had made before the fatherland and the revolution with loyalty to the party and the leader [suryong] will remain forever.

Miners Reportedly Increase Ore Production

SK2707150794 Pyongyang KCNA in English 1502 GMT 27 Jul 94

[Text] Pyongyang, July 27 (KCNA)—Korean miners are now effecting innovations in production, changing their bitterest sorrow at the sudden death of the great leader President Kim Il-song into strength and courage.

They are keenly conscious that to boost ore output is what they must do to remain true to the behests of President Kim Il-song, who made all efforts for the prosperity and development of the country.

According to data available at the Ministry of the Mining Industry, the output of nonferrous metal ores jumped ten percent in ten days from July 15 above the corresponding period of last month.

The miners of the Komdok united mining works are honoring their daily assignments, looking back in tears on the deep trust and love of the fatherly leader President Kim Il-song, who visited their work sites on several occasions. In the afore-said ten-days they topped their daily assignments 8 percent on an average.

The Hyesan mine, the November 8 mine and the Songchon mine boosted production respectively 10 percent, 8 percent and 5 percent.

Meanwhile, the Nampho united smelting works and the Tanchon smeltery increased the output of nonferrous metals respectively 30 percent and 20 percent.

More War 'Victory' Anniversary Commemorations

SK2707103994 Pyongyang KCNA in English 1014 GMT 27 Jul 94

[Text] Pyongyang, July 27 (KCNA)—Functions are taking place in Korea on the occasion of the 41st anniversary of the victory of the Korean people in the fatherland liberation war (July 27, 1953).

Korea commemorates July 27, the day of victory of the Korean people in the fatherland liberation war, as the day of second liberation with which the Korean people defended national sovereignty and dignity by becoming the first in history to defeat the imperialist allied forces. The day of first was the liberation of Korea from the yoke of the Japanese imperialist colonial rule on August 15, 1945.

A meeting of working people was held in Pyongyang on July 26 on this occasion.

The speakers at the meeting said that the Korean people could win a brilliant victory in the fatherland liberation war (June 25, 1950-July 27, 1953) because the respected leader Comrade Kim Il-song, a legendary hero, a great military strategist and an iron-willed brilliant commander, who had led the Korean revolution to victory through the raging storms of revolution, wisely organized and led the party, the state, the Army and the people.

They expressed their resolution to remain loyal to dear Comrade Kim Chong-il, the illustrious leader of our party and people, holding him in high esteem as the centre of unity and share the destiny with the Workers' Party of Korea to the end.

On July 25 and 26 students and children of Pyongyang held meetings with war veterans at the monument to the victory in the fatherland liberation war and before the monument to the fallen fighters of the People's Army.

The participants in the meetings firmly pledged to take up rifles in their hands instead of sickles, hammers and pens and become guns and bombs defending the great General Kim Chong-il, who is our destiny and future, with their lives, if the enemy invade this land again, and give a thousand-fold death to the enemy and hold General Kim Chong-il in high esteem in a reunified country.

Works of President Kim Il-song Reported Abroad

SK2807051494 Pyongyang KCNA in English 0448 GMT 28 Jul 94

[Text] Pyongyang, July 28 (KCNA)—Answers to questions raised by the general director of the Latin America News Agency "PRENSA LATINA," a famous work of the great leader President Kim Il-song, was carried by the Brazilian paper HORA DO POVO, the Russian papers ISTOKI and GLASNOSTI and the Portuguese paper AVANTE.

In the work President Kim Il-song said that as the nuclear issue on the Korean peninsula traced its origin to the U.S. hostile policy toward Korea, it must be resolved through dialogue between the Democratic People's Republic of Korea and the United States. He stressed that whether it is resolved peacefully or not depends entirely on the attitude of the United States.

The Tunisian paper AL MAOQIF carried his work "Report to the Sixth Congress of the Workers' Party of Korea on the Work of the Central Committee" and the Nigerian paper OBSERVER the work "For the Ultimate Solution of the Rural Question Under the Banner of the Socialist Rural Theses."

Foreign Papers Comment on Kim Il-song's 'Feats'

SK3007044894 Pyongyang KCNA in English 0428 GMT 30 Jul 94

[Text] Pyongyang, July 30 (KCNA)—Foreign papers carried articles introducing the revolutionary feats performed by the great leader President Kim Il-song on his death.

The Brazilian paper HORA DO POVO printed a photograph of President Kim Il-song on a cooperative field and carried articles titled "Mankind Lost the Greatest Man in the Present Era," "The Korean People Deeply Revere Comrade Kim Il-song" and "Greatest Man."

The paper said:

President Kim Il-song was the greatest man in the present era who struggled for liberation, justice, socialism and economic progress with love for the people. He devoted his whole life to socialism and mankind.

Most distinguished among his feats is that he provided a guarantee for the final victory of the revolution on the basis of a close unity of the whole party and the people around Comrade Kim Chong-il, who is carrying forward his revolutionary cause.

The Nepalese paper INDEPENDENT carried a special write- up, printing a portrait of President Kim Il-song and a photograph of the dear leader Comrade Kim Chong-il on the platform with foreigners.

In an article titled "Chuche, Kim Chong-il Who Is Symbol of Socialist Korea" the paper said:

The death of President Kim Il-song is the loss of the greatest son of the world. The posterity will always keep him in their memory.

The cause of the great President Kim Il-song will be successfully carried forward by the dear leader Comrade Kim Chong-il through generations.

Under the subtitle "Close Unity of Leader, Party and Masses" the paper wrote:

The Workers' Party of Korea headed by Comrade Kim Chong-il and the people are united in one and the same idea. Shaking the world is the might of the unity of Comrade Kim Chong-il and all the people.

The Korean people are, indeed, blessed with a sagacious leader.

Articles lauding the greatness of President Kim Il-song were carried also by the Russian paper BOLSHEVIK, the British paper ASIAN TIMES, the Nepalese papers NEPAL POST and PUNARJAGARAN and the Czech paper NASE PRAVDA.

Kim Il-song's Idea of Party Building Defended

SK3107090194 Pyongyang KCNA in English 0856 GMT 31 Jul 94

[Text] Pyongyang, July 31 (KCNA)—NODONG SINMUN today dedicates an article titled "To Defend the Great Leader's Idea of Party Building Is Noble Task of Party Organizations" to the 20th anniversary of the publication of the famous work of the great leader President Kim Il-song "On Further Strengthening Party Work" (July 31, 1974).

This historic letter of the great leader is a work which gave comprehensive answers to questions of principle arising in further strengthening the party and improving the party work in conformity with the realistic demand at a time when our party and the revolution had entered a new stage of development, the stage of modeling the whole party and society on the chuche idea, the article says.

It quotes the great leader Comrade Kim Il-song as saying:

"Our party is the general staff for the Korean revolution and the guiding force of our people. It assumes complete responsibility for all matters, large and small, arising in the Korean revolution, for our people's life today and their fate tomorrow. In the final analysis, the issues of the Korean revolution and the destiny of our people depend on the strengthening of our party."

Fully expounded in the work are such important matters arising in strengthening the party and enhancing its leadership role as further strengthening the party ranks and organizations, carrying through the party' mass line more strictly, invigorating the party's leadership over socialist economic construction and improving the method and style of party work.

The work giving clear answers to the questions of principle arising in party building and party activities in compliance with the demand for modeling the whole party and society on the chuche idea serves as a highly important guideline that has made immortal contributions to developing and enriching the chuche-based theory of party building and strengthening our party and further enhancing its leadership role and it is displaying ever greater vitality with each passing day.

We must deeply grasp the validity and great significance of the idea and theory propounded in the work and strictly apply them, and thereby add shine to the imperishable achievements of the great leader in party building and continue to powerfully accelerate the historic march to carry forward to accomplishment the socialist cause, following the leadership of the dear leader Comrade Kim Chong-il.

Researchers: Kim Il-song Supported Cooperation

OW2707141094 Tokyo ASAHI SHIMBUN in Japanese 27 Jul 94 Morning Edition p 9

[By Hironori Nagamochi]

[Text] Beijing, 26 Jul—DPRK (North Korean) researchers visiting China's Jilin Province said the late President Kim Il-song showed a flexible attitude toward the Tumanggang development project, and other economic open-door policies encouraging foreign investment.

The researchers working for North Korea's government-affiliated research institute visited Jilin to attend a "Korean Peninsula and Northeastern Asia" symposium sponsored by Jilin University. After Kim Il-song's funeral, the researchers joined the symposium before its closing ceremony on 24 July. They said their participation at the symposium was aimed at "carrying out the deceased's intentions"; and they positively explained present policies and future tasks for development projects.

Professor Kim Yong-ho of the ROK's Kyongpuk University said later in Beijing that, the DPRK four-man delegation was led by Director Yi Haeng-ho of the World Economic Institute, North Korea's largest think-tank on international business affairs. The delegation members reportedly said they were instructed by the late President Kim Il-song to "positively promote economic cooperation in northeastern Asia."

During the symposium, Director Yi and the other North Korean researchers explained that, since 1993, their nation has enacted the revised joint venture act and new legislation encouraging foreign investment. Now that the legal system is well provided, they added: "This is the time for us to take constructive action (such as inviting foreign companies)." Thus, the North Korean researchers showed a positive attitude toward economic open-door policies.

In the question-and-answer sessions, however, they did not discuss clearly the future course of action of the North Korean leadership led by Kim Chong-il.

Kim Chong-il Sends Thanks to Various Units

SK2807051594 Pyongyang KCNA in English 0451 GMT 28 Jul 94

[Text] Pyongyang, July 28 (KCNA)—Comrade Kim Chong-il, supreme commander of the Korean People's Army, extended thanks to Kowon County, South Hamgyong Province, the Kim Chaek fisheries station in North Hamgyong Province, the June 5 general electric apparatuses works, teachers and students of the Yongnam senior middle school in Waudo District, Nampo Municipality, Ho Chang-su, an instructor of the bureau of scientific, technological and cultural cooperation, an Yi Kyun, a disabled soldier residing in Songsintong No. 3, Sadong District, Pyongyang Municipality, Kim Yong-nam, a worker of the Wonsan City public service office in Kangwon Province, and many other units and working people that had fully displayed the traditional traits of army-civilian unity.

The units, officials and working people had shown all sincerity in aiding the Army to do what little they could for the increase of the combat capabilities of the People's Army.

Such traits showing the blood ties between the Army and the people are coming into full bloom in the Democratic People's Republic of Korea.

Kim Chong-il Said Great Ideological Theorist

SK2507072394 Pyongyang Korean Central Broadcasting Network in Korean 1500 GMT 22 Jul 94

[Unattributed talk: "The Dear Leader Comrade Kim Chong-il Is a Great Ideological Theorist"]

[Text] The dear leader Comrade Kim Chong-il has further developed and enriched the great leader's revolutionary idea and presented many new and unique ideas, thus accumulating immortal achievements that will be glorified forever in the history of mankind's ideology.

The dear comrade leader has formulized the respected and beloved leader's revolutionary idea by linking it to his esteemed name and clarified its historic position. This occupies the most important position in the immortal ideological and theoretical achievements gained by the dear comrade leader.

The great leader Comrade Kim Il-song has taught: Comrade Kim Chong-il is glorifying our party's chuche idea as a great guiding idea in an independent era by carrying out an ideological and theoretical activity with his extraordinary faculty of research and energy.

Formulizing the revolutionary idea of the leader [suryong] of working class and clarifying its historic position are one of the basic problems in advancing the revolution and construction as intended by the leader [suryong] and in endlessly consummating the leader's cause.

The dear comrade leader has formulized and monolithically systemized the great leader's revolutionary idea by linking it to his esteemed name, reflecting the demands of developing revolution in our era, the chuche era, and desire and aspiration of our people as well as the revolutionary people throughout the world. As a result, he has clearly clarified its historic position.

As formulized by the dear comrade leader, the great leader's revolutionary idea—as chuche idea and a monolithic system of theory and method of the revolution and construction elucidated by it—has reached the final stage in developing working class' revolutionary idea. The basic characteristics of the great leader's revolutionary idea that differs from the previous revolutionary ideas of the working class lies in monolithically systemizing the revolutionary theory and the leadership method based on the chuche idea, thus making the chuche idea—which was founded for the first time in mankind history of ideology—constitute the essence of the monolithic ideology of the party.

Based on the explanation of the essential characteristics of the respected and beloved leader's revolutionary idea, the dear comrade leader has declared that the leader's [suryong] revolutionary idea is a great guiding idea, guiding theory, and guiding method of the revolution that represents [taepyohanun] the entire historic era of the present era, as well as the future of communism. This indicates that he has clarified the historic position of the great leader's revolutionary idea as the final stage of the development of the working class' revolutionary ideas.

Thanks to the dear comrade leader's formulization of the great leader's revolutionary idea and his clarification of its historic position, the working class and the working popular masses have received the most correct guiding idea for the revolution and construction. As a result, the great influence of the leader's [suryong] revolutionary idea that have impact on the revolutionary changes in the world has been further strengthened.

The importance in the ideological and theoretical achievements the dear leader Comrade Kim Chong-il has gained as a great ideological theorist is also that he has further developed and enriched the immortal chuche idea.

The chuche idea created by the respected and beloved Comrade Kim Il-song is the idea that basically differs from the previous revolutionary ideas of the working class—that is, the idea of philosophy centered on mankind deployed based on the working popular masses.

Based on the explanation of the basic characteristics of the chuche idea, the dear comrade leader has declared it is constituted upon philosophical doctrine, social and historic doctrine, and guiding principles. Also, he has systemized and summed up all contents of the chuche idea based on independence, creativeness, and consciousness, which are the essential characteristics of mankind.

The dear comrade leader has newly raised the position and role that one occupies in the world as the basic problem of philosophy, and based on this has deployed all contents of the chuche philosophy. He has also declared that as a result, the chuche philosophy preserves features that basically differ from all previous philosophical ideas, and that it can become the philosophical idea that provides the most correct method for the people to pioneer their destinies.

By newly formulizing the social and historic principles of the chuche idea, the dear comrade leader has defined the unique inevitability of the social and historic movement, which can be different from the natural movement. The discovery of the unique inevitability of the social and historic movement is a unique historic change in the development of revolutionary ideas and working class theories.

Because the unique inevitability of the social and historic movement is disclosed, all social and historic phenomenon as well as the revolutionary movement can be activated centering on the popular masses. By enhancing the role of the popular masses, we are able to prepare a basic key that can accelerate the victory of the revolution.

By deepening and developing the guiding principles of the chuche idea, the dear comrade leader has maintained an independent position as well as a creative position, and has also elucidated the basic principles that can successfully carry out the revolution and construction, enhancing the role of ideological consciousness.

The dear leader Comrade Kim Chong-il has further developed and enriched the chuche idea with his new creative principles and valuable thesis. He has presented all theoretical and practical problems raised in consummating the revolutionary cause of the working class, including theories on the absolute position and decisive role the leader [suryong] occupies in the working class' revolutionary struggle; on the chuche revolutionary outlook of the leader [suryong]; on the correct nomination of successor to the leader [suryongui hugyojaul olkke naeseugo]; on the inheritance and consummation of the leader's revolutionary cause generation after generation; and on the chuche of the revolution. By fully explaining the theories, he has further developed and enriched the chuche idea.

The importance in the immortal ideological and theoretical achievements gained by the dear leader Comrade Kim Chong-il, the genius of the great ideological theory, is that he has developed and enriched the chuche revolutionary theory.

The chuche revolutionary theory is a revolutionary theory that has been advanced with an emphasis on the working popular masses and a revolutionary strategy and tactic based on their roles. This is also a complete theory on communist revolution, which has summed up theories on human remodeling, nature remaking, and social reform, including theories on national liberation, class liberation, and human liberation.

The dear comrade leader has profoundly elucidated the creativity and greatness of the chuche revolutionary theory, which has been advanced with an emphasis on the working popular masses, and declared that this is the most correct revolutionary theory of our era. In this way, he has made it possible for the working class and the popular masses to more vigorously march forward along the road elucidated by the chuche revolutionary theory.

By carrying out creative ideological and theoretical activities, the dear leader Comrade Kim Chong-il has presented such theories as a theory on modeling the entire party after the chuche idea; a theory on the speed battle and the ideological battle; a theory on building chuche-oriented literature and arts; a theory on strengthening the party's leadership role and maintaining revolutionary principles, which is a theory based on the scientific analysis of the historic lesson from socialist construction; a theory on the ultimate victory of the socialist cause; and a theory on the characteristics of modern imperialism and the inevitability of its collapse. In this way, he has given scientific and theoretical answers to the important and pressing issues raised by the revolution and construction of the present era.

These creative revolutionary theories presented by the dear comrade leader are powerful ideological and theoretical weapons and guiding principles that a working class party must strongly adhere to until it completes socialist, communist construction.

What is also important among the immortal ideological and theoretical achievements by the dear leader Comrade Kim Chong-il, a great ideologist and theoretician, is that he has comprehensively deepened and developed the chuche-oriented leadership method. The past revolutionary idea of the working class could not present the leadership method as an independent revolutionary theory. The dear comrade leader has newly systematized the leadership method issue, contained in the great leader's revolutionary ideas, as an independent component.

The dear comrade leader has also developed and enriched a principle on leading the masses, a leadership system regarding the popular masses, and a chuche-oriented leadership theory on leadership art. In this way, he has provided the working-class party with a powerful ideological and theoretical weapon with which to correctly lead revolution and construction.

The dear comrade leader has further developed and enriched a theory on chuche-oriented leadership method, endlessly deepened and developed the work of establishing the leader's [suryong] unitary ideological system and given perfect answers to the issue of establishing the leadership system of the successor to the leader [suryong], the issue of firmly maintaining and inheriting the center of unity, generation after generation, the issue of carrying out the movement to win the red flag of three revolutions and the movement to learn from unheralded heroes, and all other theoretical and practical issues concerning the leadership of the masses.

Truly, by using his brilliant foresight and carrying out energetic ideological and theoretical activities, the dear leader Comrade Kim Chong-il, a great ideologist and theoretician, has further developed and enriched the respected and beloved leader's revolutionary ideas, presented new, creative revolutionary principles and theses, and, thus brought about immortal achievements in the ideological history of mankind and the cause of liberation.

Because of the dear leader Comrade Kim Chong-il's ideological and theoretical activities, a new higher stage has unfolded in the development of mankind's outlook on the world, and a clearer road has opened toward completing the working class's revolutionary cause.

Carrying out the revolution by upholding the dear leader Comrade Kim Chong-il, a great ideologist and theoretician, at the vanguard is our people's greatest happiness and honor.

We will cherish deep in our hearts national pride in upholding the dear leader Comrade Kim Chong-il, a great ideologist and theoretician, strenuously fight along the road elucidated by the dear comrade leader's ideas and theories, and, thus, brilliantly complete the chuche revolutionary cause cultivated by the great leader.

Essay on 'Impregnable Party' Published

SK0108104294 Pyongyang KCNA in English 1026 GMT 1 Aug 94

["Impregnable Party"—KCNA headline]

[Text] Pyongyang, August 1 (KCNA)—NODONG SINMUN today carries a political essay titled "Impregnable Party" upon the lapse of 20 years since the dear leader Comrade Kim Chong-il proclaimed the programme of the modelling of the whole party on the chuche idea.

It says:

What feelings fill the minds of our people who are looking back on the past 20 years since the programme of modelling the whole party on the chuche idea was proclaimed, the glorious two decades in which the Workers' Party of Korea [WPK] has completely renewed its appearance as the party of the respected leader Comrade Kim Il-song, a chuche-type revolutionary party, and constantly made a long drive? It is a great pride and faith that as we have a great party, an impregnable party, Korea is strong, our revolution is secure and our future is very vast and bright.

Ours is an impregnable party because of its great idea, unshakable faith and powerful singlehearted unity. The might of the party is ideological might.

Any wind, gray or yellow, and any nuclear bomb have no effect on the ideological integral whole that keeps pure its revolutionary nature with the ideology of the leader in whatever situation, thoroughly inherits and applies the leader's revolutionary traditions, working method and working style and rears all the party members as true revolutionary soldiers faithful to the leader.

The might of the party is the might of unity.

The modelling of the whole party on the chuche idea is a great programme of party building that has made it possible for our party to achieve a most solid and powerful singlehearted unity by successfully realizing the sameness in ideology and oneness in leadership.

The WPK is united as one on the basis of the idea of their great leader and is rallied in one mind around its illustrious leader. Blessed with such an impregnable party, Korea and its socialism are strong like an impregnable fortress and our cause of chuche is invincible.

The greatness of the party is the greatness of its leader.

Today we have an impregnable party, an ideological fortress unshaken in any storm, a bastion of singlehearted unity. This is the greatest fortune that we owe to the dear leader and a particular glory that we can enjoy because we are guided by him.

It is the unswerving faith and pledge of our people to make the revolution to the end, united in one mind around the dear leader, calling our party always the party of Comrade Kim Il-song.

Arming the whole party with a monolithic ideology and ensuring the unitary leadership in the whole party—this is the invincible great programme vital to the destiny of our revolution and our party and an everlasting great principles and great propositions we must carry forward through generations.

Reunification Based on 3 Principles Stressed

SK3107083894 Pyongyang KCNA in English 0828 GMT 31 Jul 94

["National Reunification Must Be Achieved on Three Principles: NODONG SINMUN"—KCNA headline]

[Text] Pyongyang, July 31 (KCNA)—The three principles of national reunification laid down by the great leader Comrade Kim Il- song are most reasonable principles which make it possible to resolve the question of the country's reunification in conformity with the aspirations and demand of the nation. They are a precious guideline and the banner of struggle that must be maintained till the desire of our people and the entire fellow countrymen for national reunification is realized.

NODONG SINMUN declares this in an article titled "National Reunification Must Be Realized on Three Principles of Independence, Peaceful Reunification and Great National Unity."

The author of the article says:

The great leader Comrade Kim Il-song set the country's reunification as the nation's supreme task since the first day of the country's division and energetically led the struggle for its realization. He put forward in the early 1970s the three principles of national reunification—independence, peaceful reunification and great national unity—the famous reunification programme.

The article quotes the great leader Comrade Kim Il-song as saying:

"The three principles of national reunification upon which the North and the South agreed through joint consultation are absolutely fair principles which will enable our nation to solve the reunification question in conformity with its aspirations and demand. We must reunify our country on these three principles."

The reunification of Korea is a question of rejoining the veins of the artificially divided nation and achieving national unity and a question of realizing national independence throughout the country. Therefore, the Korean people's struggle for the country's reunification is not for resolving the class antagonisms or confrontation of systems, within the nation. It is a nationwide cause of fulfilling the task of national liberation, attaining the independence of the Korean nation and achieving a genuine harmony and unity of the nation.

The three principles of achieving reunification independently, not depending on outside forces nor allowing foreign interference, and peacefully, without recourse to arms, and of achieving great national unity, transcending differences in ideology, idea, political view, religious belief and system, are the starting point in resolving the question of the country's reunification.

The Korean nation must realize the country's reunification on these three principles under all circumstances.

All the reasonable and realistic proposals for reunification put forward by the North until now are based on these immutable three principles and are designed for their realization.

The most reasonable way of achieving the country's reunification peacefully by applying the three principles is to found a confederal state based on one nation, one state, two systems and two governments.

The North will as ever bend all efforts to resolve the country's reunification question on the three principles.

Promotion of 'Global Independence' Cause Urged

SK3007102794 Pyongyang KCNA in English 1022 GMT 30 Jul 94

[Text] Pyongyang, July 30 (KCNA)—The idea and theory of making the whole world independent which was set forth by the great leader Comrade Kim Il-song is a bright beacon indicating the road of our times, the era of independence, and a powerful ideological and theoretical weapon and invincible militant banner for the world people who are struggling to build a new bright world of independence and prosperity.

NODONG SINMUN July 30 says this in a signed article headlined "Let Us More Vigorously Promote the Cause of Global Independence".

The great leader Comrade Kim Il-song founded the immortal chuche idea and propounded an outstanding idea and theory of making the whole world independent on its basis and wisely led the cause of global independence, the article says, and continues:

Comrade Kim Il-song gave scientific answers to theoretical and practical matters arising in making the world independent such as the looks of an independent world and the principle and way of building it.

He said that an independent world is one without domination and subjugation among countries and nations and one free from aggression and war, and to build such a world is a common task facing the progressive people of the world.

If global independence is to be realised, it is essential, first of all, for all the countries and nations to firmly adhere to independence.

It is an important way of making the whole world independent to democratise the international community so that all the countries and nations may exercise independent rights in the international arena on an equal basis. The inequality existing among countries and nations and in the international arena today is a factor hindering the onward movement of history and destabilizing the world. To check the arbitrariness and dominationist moves of the old forces and eliminate inequality in the international arena is an important condition for building a new free and peaceful world, which can be realised only when the international community is democratized.

Comrade Kim Il-song set it as a strategic task for making the world independent to strengthen unity of progressive people of the world and put his mind and soul into achieving the unity of the anti-imperialist independent forces.

A new independent world can be built only by common efforts of united people. Independence, peace and friendship is a basis for unity of the world people in the struggle to make the whole world independent.

The slogan "World people advocating independence, unite!" which was put forward by Comrade Kim Il-song is a slogan which must be upheld by the world people to make the whole world independent.

The cause of global independence will certainly be accomplished by the joint struggle of the world people.

South Korea

DPRK Reportedly Refuses Fuel Rods Inspection

SK3107045994 Seoul TONG-A ILBO in Korean 31 Jul 94 p 2

[Text] It was learned on 30 July that North Korea is not allowing the International Atomic Energy Agency [IAEA] inspection team access to nuclear fuel rods, which it is keeping in a water tank after removing them from the five-megawatt nuclear reactor in Yongbyon. The IAEA inspection team wanted to make a safety inspection of the rods.

As a result, two IAEA inspectors who are staying in Yongbyon are merely carrying out visual surveillance on whether the monitoring camera installed in the water tank where the fuel rods are kept is functioning, and on whether North Korea transferred the fuel rods.

On 30 July a diplomatic source in Seoul pointed out that the "water temperature in the water tank and chemical elements must be carefully managed so that the fuel rods are kept safely for a long time, while preventing their corrosion. Nevertheless, North Korea refused such safety measures by the IAEA." He observed that this is North Korea's strategy designed to gain more concessions in the wake of a third round of U.S.-North Korean high-level talks by creating a situation in which the deadline of disposing the fuel rods is imminent.

He added that "at the first-day meeting of the third round of the North Korean-U.S. talks on 8 July, the

United States informed the North Korean side of its intent to offer technological support to safely store the fuel rods even before North Korea and the United States reach a complete agreement on the freezing of nuclear development. However, North Korea did not accept this proposal."

IAEA Inspectors Resume 'Normal' Activities

SK0108071994 Seoul YONHAP in English 0714 GMT 1 Aug 94

[Text] Seoul, Aug. 1 (YONHAP)—The International Atomic Energy Agency (IAEA) inspectors stationed in North Korea resumed normal monitoring activities that were briefly suspended during the mourning period for the late President Kim Il-song, sources here said Monday.

The inspection activities were halted temporarily after Kim died on July 8, the sources said.

But the monitoring cameras are in full operation and the inspectors are guarding the fuel rods taken from the 5-megawatt reactor in Yongbyon that are currently stored in a holding pond, they said.

"There is no concern yet about the continuity of safeguards related to the fuel rods," one source said.

DPRK UN Diplomat Optimistic Over Talks

SK3007084894 Seoul KBS-1 Radio Network in Korean 0806 GMT 30 Jul 94

[KYODO, YONHAP from New York]

[Text] A diplomat from the North Korean mission to the United Nations has expressed his optimism regarding U.S.-North Korea high-level talks scheduled for 5 August. The North Korean diplomat, who declined to be identified, said today that significant progress had been made in the talks between Kim Il-song and former U.S. President Jimmy Carter, and that we do not need to worry over future talks.

In addition, the North Korean diplomat stressed that because Kim Chong-il has so far supervised North Korea's negotiations with the United States, North Korea's policy towards the United States would not suddenly change. He also said that the promise by the United States to support North Korea in its construction of a light-water reactor will be barometer by which to assess if future U.S.-North Korea talks will succeed. He further added that North Korea has no intention to reprocess the spent fuel rods now being kept at a reservoir [chosuji].

Strategy for U.S.-DPRK Talks Discussed

SK3107031094 Seoul SEOUL SINMUN in Korean 31 Jul 94 p 2

[Report by Yang Sung-hyon]

[Text] The government is going to dispatch Kim Sam-hun, nuclear ambassador in the Foreign Ministry, to Geneva on 1 August in a bid to discuss strategy and joint measures between the ROK and the United States for the third round of U.S.-North Korean talks slated for 5 August in Geneva.

Through Ambassador Kim, the government intends to clearly express its policy that, along with U.S.-North Korean talks, North-South dialogue should be pushed for in a mutual supplementary way, funds should be provided for conversion of the North Korean light-water reactor by forming a consortium, and technology should be based on the ROK-type nuclear reactor.

Considering the unfavorable reaction of North Korea, which wants Russian technology; and of Russia and of China, the government plans to jointly seek with North Korea measures for these countries to offer energy and to participate in economic assistance.

It was also learned that the government, in particular, will express its position that the freezing of North Korea's nuclear program, including prohibition of reloading and reprocessing work, is the most important issue, and the pledge to verifiy its past nuclear activities should be fulfilled for the basic solution of the nuclear problem.

DPRK Source Stresses U.S. Support for Reactor

SK3007052394 Seoul CHUNGANG ILBO in Korean 30 Jul 94 p 1

[Report by O Yong-hwan from Tokyo]

[Text] YOMIURI SHIMBUN on 30 July reported from New York that North Korea expressed its willingness to open materials pertaining to the amount of plutonium it has already extracted if the United States firmly guarantees introduction of a light-water reactor during the third round of North Korean-U.S. high-level talks slated for 5 August.

The paper noted that a North Korean source at the United Nations stated that "if the light-water reactor issue is solved, the nuclear problem will also be resolved naturally."

This source said that "if the U.S. side expresses its willingness to support the conversion of the North Korean reactor into a light- water reactor, which would require several billion dollars, relations of trust will be formed between the two countries. As a result, the plutonium issue will be resolved."

In 1992, North Korea reported to the International Atomic Energy Agency that it extracted 90 kg of plutonium. ROK and U.S. intelligence organizations, however, assume that North Korea has secured a sufficient amount of plutonium to manufacture one or two atomic bombs.

ROK, U.S. Plan Korean-Model Reactor Proposal

SK0108044094 Seoul KYONGHYANG SINMUN in Korean 1 Aug 94 p 1

[Report by Yi Sung-chol]

[Text] The ROK and the United States have reportedly decided to propose officially to North Korea during the third round of North Korean-U.S. high-level talks scheduled for 5 August in Geneva that they will provide support for the construction of a Korean-model [hanguk hyong] light-water reactor if North Korea guarantees its nuclear transparency.

The ROK and the United States agreed in principle to support the construction of a light-water reactor during the second round of North Korean-U.S. talks held in August last year, but failed to narrow their differences in choosing between a Korean or Russian- model reactor. A government official concerned said on 31 July that "during the working meeting of ROK-U.S. high-level officials held in Seoul on 21 July, the ROK and the United States agreed to provide support to North Korea for its construction of a Korean-model light- water reactor," and that "regarding this, the two countries reached a final agreement during the talks between Foreign Minister Han Sung-chu and U.S. Deputy Secretary of State Talbott held in Bangkok on 26 July."

He added that "after visiting Seoul, U.S. Assistant Secretary of State Robert Gallucci seems to have informed Japan, China, and Russia of this decision by the ROK and the United States," and that "whether or not the two countries will provide support to North Korea for the construction of a Korean-model nuclear reactor depends on North Korea's attitude." North Korea has pushed for the construction of a Russian-model nuclear reactor since 1980, but failed to achieve this due to the collapse of the former USSR. It has been learned, however, that North Korea still demands the Russian model nuclear reactor, and that it had asked for U.S. support for construction of a Russian-model nuclear reactor during talks with former U.S. President Jimmy Carter when he was in Pyongyang in June.

The ROK and the United States have agreed to provide a considerable amount of money—approximately over $2 billion will be required to build a 1 million kw light-water reactor—to North Korea through the consortium between the ROK, the United States, and Japan. However, the ROK will bear most of the expense.

The government official has assessed: "The United States has so far opposed the construction of a Korean-model nuclear reactor—which is based on U.S. technology—by using its domestic law that restricts people from transferring U.S. technology to a communist bloc country. Therefore, it has maintained that a Russian model nuclear reactor should be built, which will require lower cost. It seems that the United States will accept the ROK's proposal that calls for providing support to North Korea for its construction of a Korean-model nuclear reactor because the ROK has raised the issues of funds and the consistent management of nuclear power plants after the Korean peninsula is reunified." A great number of personnel, as well as a great considerable amount of material, will eventually be required to build the nuclear reactor. It would take more than 10 years to map out a design for its construction. Therefore, if North Korea accepts building a Korean-model nuclear reactor, it will serve as a significant occasion to improve North-South relations.

Nuclear Ambassador Departs for Geneva

SK0108045494 Seoul YONHAP in English 0447 GMT 1 Aug 94

[Text] Seoul, Aug. 1 (YONHAP)—South Korean Nuclear Ambassador Kim Sam-hun left for Geneva Monday to work with American negotiators during North Korea-U.S. high-level nuclear talks.

Kim is to hold consultations with U.S. Assistant Secretary of State Robert Gallucci, the chief negotiator for the American side in the talks with North Korea, to confirm Seoul's and Washington's positions.

North Korea and the United States sit down to a third round of high-level dialogue from Aug. 5. Officials expect the talks to continue for as long as two weeks.

This round of meetings will address ways to guarantee transparency in North Korea's past, present and future nuclear activities, conversion of nuclear reactors in North Korea to safer, more easily monitored models, and overall improvement in Pyongyang- Washington ties.

Amb. Kim is to relay between Seoul and the U.S. negotiators all messages and positions regarding developments during the Geneva talks.

Kim, accompanied by Foreign Ministry and presidential secretary officials, will stop off in England on the way to Geneva to become familiarized with graphite-moderated reactors similar to those currently used in North Korea.

Pyongyang insists that the nuclear fuel rods removed earlier from its 5-megawatt reactor must be reprocessed by the end of August for technical reasons, which may serve as a "deadline" for the talks with the United States.

Vice Unification Minister Plans To Visit U.S.

SK0108105894 Seoul YONHAP in English 1054 GMT 1 Aug 94

[Text] Seoul, Aug. 1 (YONHAP)—Vice National Unification Minister Song Yong-tae is set to visit the United States on Wednesday to attend the 10th American area symposium on unification issues opening in Washington on Friday.

At the opening session of the two-day symposium, the vice minister will in a speech explain about his government's efforts and future policies to resolve the North Korean nuclear question and improve inter-Korean relations.

Song will also have opportunities to meet with Korean community leaders in the U.S. to exchange opinions on overall aspects of the unification question.

Daily: Japan Secretly Sought 'Nuclear Card'

SK0108011394 Seoul YONHAP in English 0104 GMT 1 Aug 94

[Text] Tokyo, Aug. 1 (YONHAP)—Japan secretly sought its own nuclear card as early as the 1970s by acquiring the ability to develop atomic weapons, the daily MAINICHI SHIMBUN reported Monday.

Quoting from a top-secret Foreign Ministry policy document dated 1969, MAINICHI said Tokyo's nuclear policy today is still based on this decision, including its recent statement that use of nuclear weapons is not in violation of international law and its opposition to or abstention on U.N. resolutions for nuclear arms reduction in the late 1980s.

The document says Japan would not immediately possess nuclear weapons but would always have the economic and technological capability to do so. It also advises prudence so that neighboring countries would not be on guard against the Japanese policy. [sentence as received]

The 100-page document recommends securing public understanding that the policy on nuclear weapons was based on a careful calculation of the political and economic pros and cons.

The document was prepared by the Foreign Policy Planning Committee, formed secretly in 1968 among working-level officials, according to MAINICHI.

Japan has declared a three-point nuclear policy of not possessing, not introducing and not manufacturing nuclear weapons. But its advanced reactor technology and massive plutonium production are considered nuclear capabilities that would allow it to make atomic arms whenever it chose to do so.

MAINICHI reported that ministry officials at that time said the nuclear policy was intended to give Japan more freedom in terms of diplomatic options. Vice Foreign Minister Kunihiko Saito brushed aside the idea, saying it is not feasible for the 1990s.

The paper predicted no small controversy over the document, considering that the sentiment of the Japanese people—the world's only victims of atomic bombing—runs counter to such a policy.

Delay in Kim Chong-il's Succession Analyzed

SK3107080094 Seoul TONG-A ILBO in Korean 31 Jul 94 p 2

[Article by Hwang Yu-song: "Is the Delay in the Inauguration of the 'Kim Chong-il System' Normal or Abnormal?"]

[Text] The government predicted that Kim Chong-il's succession as general secretary of the North Korean Workers' Party and president of the state would be announced around 27 July, the so-called victory day (Armistice Day) in the Korean war. However, its observation was mistaken.

Nevertheless, the government assumes there is no particular problem in Kim Chong-il's succession, with only the date of the announcement pending.

Most North Korean experts within the government feel Kim Chong-il's succession has already been firmly decided, and the official announcement of his nomination is being delayed due to the reorganization of lower power organizations.

Since Kim Chong-il's succession will be a first in North Korean history, it is necessary to deeply impress upon the citizens the inauguration of the new system by conducting it as a great festival; for this, time is necessary. Besides, there has been no resistance to his succession for over 20 years. All this allows Kim Chong-il time to fully prepare the various "formalities" of succession instead of hastily attempting to take over power.

In this regards, a relevant government official said: "Kim Chong-il seems to be trying to choose a more significant day for inaugurating the new regime." He adds: "The possibility is great that the date will be 15 August, which is national liberation day, or 9 September, which is the anniversary of the founding of the North Korean Government."

Another government official observed that Kim Chong-il's succession is certain, and is being delayed only by the necessity of adjusting the interests between the first generation and the second and third generations of the revolution in regards to allocation of important positions within the party, the government, and the military.

However, some experts, although few in number, maintain the prolongation of such a power vacuum indicates there is something abnormal within North Korea.

They put forward as reasons for such abnormality: the postponement of Kim Il-song's funeral ceremony; the dissection of Kim Il-song's body; the failure to announce the policy to place the body in the presidential palace after the funeral; the exceptionally long prolongation of the power vacuum; the use of new words to describe the party's ruling system [tang chibae cheje]; and the unchanged titles of Kim Chong-il.

They also think Kim Chong-il, who is known to have been firmly consolidating the system of succession, has failed to take power from his father in a short period of time because serious problems have been raised regarding the justification of his succession.

According to rumors from the PRC following Kim Il-song's death, Kim Il-song and Kim Chong-il engaged in a heated quarrel while at a villa in Mt. Myohyang because of their differences of opinion regarding the South-North summit and the third round of talks with the United States. During this quarrel, Kim Il-song collapsed due to a heart attack.

Of course, this is merely a rumor whose authenticity is hard to confirm. This notwithstanding, the experts argue that various actions within North Korea which appear to go against common sense can be used to back up their analysis that Kim Il-song did not suffer an ordinary death.

These experts point out: It is hard to find a precedence in other communist countries where the post of their supreme leader is left vacant for over 20 days. Nor is it convincing that North Korea is trying to "choose a suitable time" for the succession. Four hours after the death of Chernenko, Gorbachev was announced as his successor. Hua Guofeng of the PRC also assumed power right after the Mao Zedong's funeral, thereby preventing in advance the power system from becoming unstable.

They also stress: At the memorial service for Kim Il-song and at the ceremony marking the anniversary of its "war victory," North Korea emphasized "the guidance of the party Central Committee led by Kim Chong-il." Nor was there any change in Kim Chong-il's title.

The experts feel that, because there is reason for not tolerating Kim Chong-il's one-man rule, it is possible a cataclysmic change is taking place in the unitary ruling system which Kim Il-song and Kim Chong-il had consolidated for several decades. In this regards, there is even a rumor circulating in Beijing that Kim Chong-il and Kim Yong-chu are silently feuding for power.

This notwithstanding, even the experts share the view that despite their doubts, Kim Chong-il will succeed.

They state: No matter how many problems exist, there is no alternative other than Kim Chong-il. If the doubts about Kim Il-song's death are made public, everyone in the North Korean system will suffer a "joint downfall." Therefore, they have no choice but to enthrone Kim Chong-il.

However, the experts analyze: It will take time to clear up the doubts concerning whether or not to help Kim Chong-il succeed. As a compromise, they North Koreans have agreed to adopt a party collective system rather than Kim Chong-il's unitary ruling system.

DPRK Top Posts 'Unlikely' To Be Decided Soon

SK3107142094 Seoul KBS-1 Radio Network in Korean 1300 GMT 31 Jul 94

[By YONHAP from Tokyo]

[Text] A series of meetings to elect the general secretary of North Korea's Workers Party and the state president, both of which became vacant following the death of Kim Il-song, are unlikely to be held soon, according to Japan's NIHON KEIZAI SHIMBUN on 31 July. On the basis of its analysis of North Korea's Pyongyang Radio, the paper reported that local members of the Workers Party of Korea Central Committee and deputies of the Supreme People's Assembly have already left Pyongyang.

In the meantime, YOMIURI SHIMBUN reported that Tokyo and Seoul consider the delay in holding the meetings has been caused by delays in the major personnel changes, including a new ranking of the North Korean leadership.

PRC Source Cited on DPRK Power Succession

SK2907234894 Seoul CHOSON ILBO in Korean 30 Jul 94 p 2

[Report by Yo Si-tong from Dandong, China]

[Text] It has been learned that North Korea's official announcement of a successor to Kim Il-song will possibly be delayed until October. It has also been learned that the status of Kim Yong-nam, vice premier and foreign minister, is quickly rising in the party and government hierarchy.

One source in Dandong City, China, who has recently been to North Korea, said: "I have heard from one high-ranking official of the Workers' Party of North Korea that it will be possible to make an official announcement on the power succession at the beginning of October at the earliest. This seems to be connected with the nuclear issue and the U.S.-North Korean high-level talks." He added that the delay in the announcement is not due to a power struggle between Kim Chong-il and his opponents.

Experts Discount Mass Exodus From North

SK3007021394 Seoul YONHAP in English 0206 GMT 30 Jul 94

[Text] Seoul, July 30 (YONHAP)—Is the recent defection to the South by some elite North Koreans a prelude to a mass exodus from the North, an economically crippled country clinging to Stalinism?

Japan and China, both neighbors of North Korea, seem concerned about that very possibility.

Foreign dispatches indicate that the Tokyo government is not ruling out the danger, in the worst case, of North Korean "boat people" besieging the Japanese coast.

Beijing, too, fears that if things worsen in Pyongyang, North Koreans may cross the Yalu and Tuman Rivers into the Yanbian area in large numbers, foreign reports say.

Some North Korea watchers in the South observe, rather hastily, that Kim Il-song's death may precipitate a mass flight of people and bring about the fall of the Pyongyang regime.

A majority of experts, however, say that the likelihood of great numbers of North Koreans fleeing is remote and there will be no mass cross-border migration by North Koreans in the foreseeable future.

They base their observation on a number of factors.

The experts point out that no signs have emerged of any serious power struggle in North Korea and that no sweeping changes are forthcoming to Kim Il-song's policies.

They say that even if Kim Chong-il instituted an open-door policy, it would not be so reformative as to create widespread restlessness among the people.

Moreover, the experts note that North Korea is a tightly controlled society, where people are under 24-hour surveillance and few dare even to make domestic trips much less escape abroad.

According to the experts, all these variables indicate that the recent defectors—including a man said to be the son-in-law of North Korean Premier Kang Song-san—are not spearheading a coming exodus but should instead be categorized as "special characters" who could not remain in North Korea after committing various wrongs.

A mass flight of North Koreans is thus a remote possibility, although it is not an impossibility, some of the experts say.

They reason that if the Kim Chong-il regime fails at economic rehabilitation and cannot solve the problem of food shortages, people will become restless and head for the more affluent South Korea and China.

Remarks by German Chancellor Helmut Kohl, who said that "I never thought of the fall of the Berlin Wall even in the previous night's dream," might suggest a lot.

Border Reportedly Guarded After Kim's Death

SK3107022494 Seoul CHOSON ILBO in Korean 31 Jul 94 p 2

[Report by Ku Song-chae]

[Text] It was learned on 30 July that approximately a division-size of North Korean special forces advanced to Sinuiju and other areas where riots were expected to occur, as well as to the border areas, on 8 July, immediately after the death of Kim Il-song.

General Bureau of Security Guard troops, Kim Il-song's bodyguard unit, were included in these special forces, thus attracting people's attention concerning the future of the North Korean power structure.

According to an authoritative government report on North Korean trends, on 8 July, immediately after Kim Il-song's death, approximately 30,000 troops—one to two division-size forces—from the "light infantry brigade" and General Bureau of Security Guard, which are known as North Korean special forces, were rapidly dispatched to border areas along the Tumen and Yalu Rivers and to the areas where riots took place in the past, including Sinuiju and Kanggye.

A relevant government official observed that such mobilization and deployment of the North Korean troops were presumably aimed at strengthening the guard posture. However, even troops of General Bureau of Security Guard, which is a body guard unit for the president, were included in the mobilized troops. Thus, dispatching these units was believed to be an operation designed to repress residents' rebellion.

Another government official said that the government is closely watching indications of discord within the North Korean Army, and that "in particular, the government is paying keen attention to a possibility of friction between the Pyongyang Garrison Command and the field Army."

Life in DPRK Political Camps Viewed

SK3107144694 Seoul KBS-1 Television Network in Korean 1209 GMT 31 Jul 94

[Text] What kind of a place is North Korea's Sungho camp, which was made public by Amnesty International? Those who have escaped from North Korea said it is a living hell where people exist below the level of man. Hunger, hard labor, assault and battery, and execution are everyday occurrences. It is a place where human rights do not exist.

Following is a report by Chang Han-sik:

[Begin recording] [Chang Han-sik] Sungho-ri is about 70 km east of Pyongyang. It was revealed by Amnesty International that this place is North Korea's largest political camp. The camp was revealed to the world as a result of an investigation by Amnesty International stating that at least 49 political prisoners have been living in a small room for over 30 years without any electricity and heat. North Korea's wretched human rights situation, which was deeply hidden behind a curtain, has been revealed for the first time.

[Erbe Verche, vice president of Amnesty International; in English with Korean subtitles; texted from English] To start with, there are tens of thousands of political prisoners. People have been detained on the basis of arbitrary detention. Out of those we know there are at least thousands of potential prisoners of conscience as well.

[Chang Han-sik] However, remarks by a North Korean defector who used to live in a North Korean camp are all the more shocking. Kang Chol-hwan, who defected to the South in 1992 after spending 10 years at Yodok camp in Yodok County, South Hamgyong Province, states there is not much to say. While living in the camp, he experienced only hunger, assault and battery, cold, and hard labor. Rather than living, it was a time for dying.

[Kang Chol-hwan] Whether one could endure such a life for a year determined whether one lived or died. Those who endured one year lived, and those who did not died. Living in the camp is living like a wild man.

[Chang Han-sik] Kang said that among the miseries, hunger was a greater pain than death.

[Kang Chol-hwan] About 90 percent of the people are suffering from malnutrition. They resemble those in Somalia who are pot-bellied and skinny.

[Chang Han-sik] Kang said the situation at Sungho is all the more miserable. Walls 50m high [as heard] surround the camp. He said that at least 300 people die of hunger or are executed every month.

[Kang Chol-hwan] It is the most ghastly place in North Korea. Many felons and high-ranking people are there. At least 300 people die a month.

[Chang Han-sik] There are over 12 such camps throughout North Korea, with the number of prisoners totalling 200,000. Only a part of North Korea's camps have been made public through the efforts of Amnesty International. Innocent fellow countrymen are living everyday in an anguish worse than death. [end recording]

North Reportedly Increases 'Economic Propaganda'

SK3007031094 Seoul YONHAP in English 0251 GMT 30 Jul 94

[Text] Seoul, July 30 (YONHAP)—North Korea has announced it will carry on "the economic programs of a buffer period (to cushion the shock of the collapse of the Soviet Union and other East European socialist nations)" adopted at a Workers' (Communist) Party Central Committee meeting late last year.

The announcement indicates that Pyongyang has failed to work out a new economic policy, even though Kim Chong-il is almost certain to take power after his father's death in early July.

North Korean broadcast media have begun stepping up economic propaganda asking that the people strive to develop the economy to offset the loss of great leader Kim Il-song. "We should further step up the grand march toward our-style socialism under Comrade Kim Chong-il's leadership in order to carry out the party's revolutionary economic strategy," a commentary carried by Radio Pyongyang exhorted recently.

In December last year, the Workers' Party, reviewing the third seven-year economic development plan (1987-93), admitted its partial failure due to the collapse of the East European socialist nations and adopted the programs for a buffer period of two to three years. These programs focused on agriculture, light industry and foreign trade.

The Supreme People's Assembly endorsed the buffer period programs in a resolution passed at a plenary meeting last April, calling for development of the coal, power generation, railway and metallurgical industries, among others.

When the programs are successfully carried out, the people's long-cherished dream of "eating rice and beef, wearing silk clothes and living in a tile-roofed house" will come true, Radio Pyongyang said recently.

In agriculture, the buffer period programs call for production increases in rice, fruit and dairy products, including rice output growth to 15 million tons a year. To this end, the programs envision the expansion of farmland irrigation and the area under cultivation, mechanized farming and development of the fertilizer industry.

Light industry's goals set out by the programs include a 1.3-fold increase in cloth production (1.2-fold rise in cloth of man-made yarn) and 1.1-fold growth in footwear production at the end of the buffer period over 1993.

In foreign trade, the programs call for expansion of the export industry base and improved quality in export products by increasing coal and electricity production, developing the metallurgical industry and increasing railway freight.

According to NAEWOE Press, the official North Korea watcher here, the North's food grain production has been on the decline since the late 1980s. Last year, North Korea experienced food shortages totaling 1.22 million tons, with demand of 6.58 million tons against production in 1992 of 4.27 million tons and imports of 1.09 million tons in 1993. The shortages are expected to increase to 2.8 million tons this year, as last year's production was estimated at 3.88 million tons against demand for 6.67 million tons in 1994.

The cloth production goal set for the target year of the third seven-year plan was 1.5 billion meters, but actual output last year was 190 million meters, merely one-10th of the goal.

North Korea's foreign trade plummeted 16.4 percent in 1991 when the Soviet Union and other East European socialist countries collapsed and has since been on the decline, registering drops of 3.8 percent in 1992 and 1.1 percent last year.

In particular imports of crude oil, a strategic import item, fell 13.1 percent to 1.4 million tons last year.

Accordingly, North Korea's gross national product declined for the fourth straight year in 1993, registering a fall of more than 20 percent from 1989.

The buffer period programs are designed to provide the conditions for economic development while not jeopardizing the North's socialist system, by developing the agricultural and light industries, expanding foreign trade in the coming three years and alleviating the people's suffering from food shortages, analysts say.

DPRK Plan To Develop Najin, Sonbong Reported

SK0108064694 Seoul KYONGHYANG SINMUN in Korean 1 Aug 94 p 8

[Article by Kim Pong-son]

[Text] "The golden triangle."

This is the new name of the Najin and Sonbong district, which encompasses an area of 745 square meters, after being designated a "free economic trade zone" by North Korea's State Administration Council decision No. 74 announced in December 1991.

The name encompasses the delta on lower Tumen river and the northeast part of Sonbong County that borders with China and Russia.

The area is again becoming the focus of interest because the survival of the Kim Chong-il system after the death of Kim Il-song may depend on the success of opening in this area. The primary task of the Kim Chong-il regime will be the resurrection of the impoverished North Korean economy.

Following the adoption of the "Foreign Investment Law," "Joint- Venture Law," and "Foreign Enterprise Law" in October 1992, North Korea enacted "Implementing Regulations for Foreign Enterprises" in March 1994 as a follow-up measure of the "Foreign Enterprise Law." The regulations, consisting of eight chapters and 80 articles and which define the details for implementing the Foreign Enterprise Law, are designed to induce foreign investors to this area.

According to North Korean delegates who attended the UN Development Program Conference held in Seoul in November 1993, North Korea is planning on 93 projects in 10 sectors, including port, railway, road, and industrial, in this area. The details of the development schedule are already planned in three phases: Phase one from 1993 to 1995; phase two from 1996 to 2000, and phase three from 2201 to 2010.

The current population of this area is 130,000, but will increase to 300,000 to meet labor requirements. Currently, there are about 50 chemical industry, machinery production, garment, and processed lumber plants. The objective is to develop the area into a hub for international cargo, a manufacturing complex for processing and export, and a tourist area. Najin, Sonbong, and Chongjin will be developed into thresholds and gateways making the most of existing facilities and taking advantage of being ice-free ports.

The priority is on port development. North Korea is planning to invest $1,656 million in Najin, Sonbong, and Chongjin by 2010 to remarkably improve port facilities. The ports will be given specialties so that Najin will be developed into a port capable of handling 50 million tonnes of cargo annually, Chongjin a cargo-only port capable of handling 10 million tonnes annually, and Sonbong a port specialized in handling crude oil.

Railways and roads connecting these ports will also be significantly expanded. Transportation capacity will be doubled when the 405-km northern district circular railway is completely electrified after the electrification of the 168 km sector between Hoeryong and Haksong. Aiming at handling Russia's intermediate trade, a double-track railway bridge will be built on Tumen River, and a 13.4-km railway will be built between Chosan-ri station, which is under construction in the Tumen valley, and Kuryongpyong. Expressways connecting Najin-Saebyol (Hunchun), Chongjin-Hoeryong, Najin-Tumen estuary, Najin-Chongjin, Saebyol-Namyang (Tumen), and Hayopyong-Wonjong will be built by joint ventures with foreign companies.

An 8.7 million-square-meter airport in Sonbong will be built to handle 20 million passengers and 2.5 million tonnes of cargo annually.

Nine industrial complexes are planned in the Najin-Sonbong area. Five complexes in Sinhung, Tongmyong, Changpyong, Chonggye, and Paekhak will be completed by 1995, and four additional in Huchang, Kwangok, Ungsang, and Hongui will be developed after 1995.

North Korea has designated and announced 68 plants that solicit foreign capital for joint management, joint ventures, or sole investment. The plants cover a wide range of products including light industry products such as textile, leather, and toys, and electronic and industrial products such as refrigerators, television sets, semiconductors, automobile parts, and an oil refinery. However, most of them are in light industry.

The objective of tourism development is to build a general tourist complex linking Taecho Island in Anju and Pipa Island in Sinhae. Hotels and villas will be built in three places to provide 20,000 guest rooms, including a 500-room hotel on Taecho Island. North Korea is enthusiastic about developing this area into an international tourist complex and another tourist complex linking Uam and Kulpo is also being planned. The tourist complexes will include beaches, a folklore cultural center, an undersea park, golf courses, and a hunting ground.

For the foreign investors' conveniences, an 18-story Najin- Sonbong Development Promotion Center on a 10,000 square-meter site is planned to provide one-stop administrative management, communications, trade, financial and banking, and conference services.

North Studies Ways To Open Chongjin Economically

SK0108085194 Seoul YONHAP in English 0751 GMT 1 Aug 94

[Text] Beijing, Aug. 1 (YONHAP)—North Korea is studying designation of northeastern port of Chongjin as a special economic zone along the lines of China's 17 special business zones, a Western source in frequent contact with North Korean trade officials said Monday.

In connection with the opening of Chongjin port, North Korea sent a survey team to all 17 Chinese special economic zones in the second half of last year and has already completed advance preparations and an on-the-spot study of Beijing's economic opening policy, according to the source.

The source said, "Pyongyang had prudently studied ways to adopt the Chinese-style opening policy before Kim Il-song died. As part of the preparation for an overall Chinese-style opening, the North Korean leadership has discussed making Chongjin a good example of a special economic zone."

He said, however, that some senior North Korean officials strongly opposed the full-fledged opening of Chongjin port, citing the possibility that severe problems might arise in maintaining the North Korean political system.

"Kim Il-song agreed with this opinion and put off the designation of Chongjin port as a special economic zone. But now that Kim Chong-il, who took a positive position on the problem, has taken power [as received], the North Korean leadership is again studying ways to completely open Chongjin," he added.

The North Korean officials who favor the policy recently told the authorities concerned about their plans to open up the Najin-Sonbong region and several cities including Sinuiju, Nampo, Wonsan and Kaejong.

The North Korean leadership also instructed these officials to work out a detailed plan to open up Chongjin, the source said.

DPRK Denies Defection of Trading Firm Staffer

SK3107100994 Seoul YONHAP in English 1000 GMT 31 Jul 94

[Text] Seoul, July 31 (YONHAP)—North Korea has denied as "fabrication" South Korea's announcement that Kim Tong-hun, a staff of Kumkangsan Trading Company, arrived in the South seeking an asylum last Thursday [28 July].

Naewoe press, the official North Korean watcher here, said on Sunday that Radio Pyongyang denied Kim's defection to the South, claiming "there is no trading company in North Korea titled Kumkangsan, nor there is a trade worker named as such."

Denouncing South Korea is even making "ghost figure" to defame North's external authority, the radio broadcast insisted the South Korea's announcement of recent North Korean defectors Kang Myong-to and Cho Myong-chol was also "a fabricated drama."

NSP's Handling of DPRK Defectors Criticized

SK3007080494 Seoul MUNHWA ILBO in Korean 30 Jul 94 p 1

[Article by reporter Kim Chae-muk from the "Reporter's Memobook" column, entitled: "Repercussions of Remarks on 'Five Nuclear Warheads'"]

[Text] Mr. Kang Myong-to, who revealed himself as being the son-in-law of Kang Song-san, premier of the North Korean Administration Council, defected to South Korea in late May. In a news conference on 27 July, he made bombshell remarks that "North Korea has already manufactured five nuclear bombs."

The next day, however, our government, as well as the United States and Japan, expressed their official positions that they were not attaching importance to the credibility of his remarks. As a result, the task of confirming the validity of his bombshell remarks has been turned to the world's intelligence organizations.

The attitude our government has shown in the handling of Kang's case—from his defection to the news conference—has become an issue. As the Agency for National Security Planning [NSP] has been in charge of Mr. Kang, it no doubt recorded Mr. Kang's remarks concerning the "possession of five nuclear warheads" during its investigations. The U.S. Central Intelligence Agency was informed and the two intelligence organizations, assessed the credibility of his remarks as being slim in view of intelligence materials collected to date.

This notwithstanding, the NSP went ahead with the news conference without prior consultations with the National Unification Board [NUB]—the office in charge of North Korean policy—and Foreign Ministry. It neglected to notify the U.S. side in advance. The NSP carried out the news conference only in consultation with Chongwadae [presidential offices], thus resulting in the remarks on North Korea's possession of five nuclear bombs. As a result, relevant officials in the NUB and the Foreign Ministry, who were devotedly working to resolve the North Korean nuclear problem, were embarrassed, and the United States showed signs of displeasure. All this seems to be quite natural.

The reaction of relevant officials in the NUB and Foreign Ministry was also skeptical, as they asked if "it was necessary to intentionally cool North-South relations by making public preposterous remarks, whose credibility can not be confirmed?" It was also learned that the United States requested clarification on the "reason" and "background" for making public such remarks at a time considering the need to resolve the North Korean nuclear problem in a third round of dialogue. Regarding this, the government explained that it was compelled to hold a news conference following leakage of the news to the press, and that it was not in a position to block Mr. Kang's personal remarks.

The stir created by Mr. Kang's remarks will likely abate as quick as a flash in the pan. However, this case leaves the "deep scars" of a cooling in North-South relations and the loss of our government's credibility within the international community.

'Criticism' on Defectors' Conference Noted

SK3007025594 Seoul HANGYORE SINMUN in Korean 30 Jul 94 p 1

[By reporter Yun Kuk-han]

[Text] With the stir created at home and abroad by North Korean defector Mr. Kang Myong-to's 27 July news conference, criticism is growing that the government did not take sufficient countermeasures before and after his news conference. In this connection, the government is reported to be studying ways to bring to task working-level officials concerned of the Agency for National Security Planning [NSP].

One official concerned in the ruling camp disclosed on 29 July: "The citizens have been greatly shocked by what Mr. Kang said in the news conference. They also have misgivings and are anxious over the government's attitude of immediately denying his remarks the very next day. The prevailing atmosphere within the government is that the officials concerned should be brought to task in whatever way."

He said: "The way the NSP handled the affairs surrounding Mr. Kang's news conference and the leakage of news about the defection of Kang Myong-to and Cho Myong-chol to the media before an official announcement, reveal serious problems in security."

He added that full countermeasures are being mapped out for this.

In the meantime, some people in the political circles are maintaining that a comprehensive reexamination of the NSP's way of information management should be conducted with this incident as a momentum.

Defector's Remarks on Warheads 'Not Convincing'

SK2907142894 Seoul KBS-1 Radio Network in Korean 1400 GMT 29 Jul 94

[By correspondent Cha Man-sun from Vienna]

[Text] The International Atomic Energy Agency [IAEA] has officially stated that the testimony by defector Kang Myong-to regarding North Korea's acquisition of five nuclear warheads is not convincing.

The IAEA released a brief statement today commenting on his testimony. In the statement, the agency noted its analysis of reliable information on the North Korean nuclear issue indicates that Mr. Kang's testimony about North Korea having five nuclear warheads is not true.

The IAEA comment is thought to refer to the difficulty the IAEA faces in proving whether or not Mr. Kang's testimony is true based upon the information it acquired while examining the results of its inspections in North Korea.

DLP Chairman Discusses Defectors' Remarks

SK2907133094 Seoul KBS-1 Radio Network in Korean 1240 GMT 29 Jul 94

[Text] Kim Chong-pil, executive chairman of the Democratic Liberal Party [DLP], and U.S. Ambassador to the ROK, Laney, had a luncheon meeting today at the U.S. ambassador's residence. They agreed that the remarks by defector Kang Myong-to indicating that North Korea has five nuclear weapons is merely unsubstantiated information. They also exchanged views on the North Korean situation which prevails after Kim Il-song's death as well as on the North-South summit talks.

A close confidante of Executive Chairman Kim said: At today's meeting at Ambassador Laney's invitation, Executive Chairman Kim said the North-South dialogue could be held after next month when the North Korean regime stabilizes. The issue of holding North-South summit talks is closely related to the U.S.-North Korea dialogue. Therefore, the United States must make efforts to ensure North Korea is aware of this relationship.

Ambassador Laney responded: If North Korea clearly promises a nuclear freeze, any form of negotiations can be held. The upcoming third round of the U.S.-North Korea high-level talks will serve as an opportunity to know whether North Korea is willing to ensure nuclear transparency.

Amnesty International Sparks Interest in Detainees

SK0108062194 Seoul YONHAP in English 0524 GMT 1 Aug 94

[Text] Seoul, Aug. 1 (YONHAP)—The fate of South Koreans abducted by North Korea has entered the spotlight with the weekend revelation by Amnesty International (AI) that a South Korean teacher who was kidnapped while on a study tour of Norway in 1979 is confined in a North Korean concentration camp.

The Korea National Red Cross (KNRC) estimates the number of people abducted and taken to the North since 1953 at about 440.

The Seoul government sent a telegram to Pyongyang on April 22 denouncing its inhumanity in refusing to allow the South to confirm the whereabouts and well-being of those taken forcibly to the North.

KNRC President Kang Yong-hun also urged the North to resume inter-Korean Red Cross meetings to discuss the early repatriation of seamen, airplane passengers and crew, and others kidnapped by the North.

But the North has refused to respond to the South's repeated requests for their return, insisting they came to the North of their own free will.

The North is known to be using the abducted students, fishermen, laborers and others to promote the self-proclaimed superiority of its communist regime.

The model for the North's repeated kidnappings is a case which took place during December 1969 in the eastern port city of Kangnung.

At that time, Northern agent Cho Yong-hui hijacked KAL Flight YS11 carrying 47 passengers and four crew. Two flight attendants and 11 passengers have yet to be repatriated.

The stewardesses, Chong Kyong-suk and Song Kyong-hui, married North Koreans and work for the "Voice of National Salvation" of the National Democratic Front of South Korea, a propaganda organ which is actually based in North Korea but is claimed by the North to operate in the South, according to O Kil-nam, 52, who defected to the South while working for the Voice of National Salvation.

O, who fled to the North in December 1985 while studying in Germany before defecting to the South again, said the Voice of National Salvation and other broadcast propaganda organs employ 15 to 16 South Koreans who were abducted or defected to the North.

Another well-known abduction involves South Korean movie director Sin Sang-ok and his wife Choe Un-hui, a famous actress in the South.

Choe was kidnapped by North Korean agents in January 1978 while in Hong Kong to discuss making a movie in a joint project with a Hong Kong company. Choe was taken from her hotel room to Haeju, a port city in Hwanghae Province in southern North Korea, aboard a North Korean ship.

Choe's husband Sin was kidnapped by North Korean agents about two weeks later when he traveled to Hong Kong via Japan, the United States, France and Southeast Asian countries in search of his wife.

Choe and Sin were making movies that extolled the rule of Kim Il- song and his son Chong-il while in North Korea before seeking refuge at the American Embassy in Vienna, Austria, in March 1986.

In another case, 12 fishermen including Choe Chong-sok, 56, from the Tongjin-Ho are still in North Korea seven years after being seized while fishing near Paengnyong Island.

In July 1987, Yi Chae-hwan, then 26, the eldest son of former lawmaker Yi Yong-uk, was abducted to the North while visiting Vienna. Yi was a student at a U.S. university at that time.

A North Korean reporter who came to the truce village of Panmunjom to cover the inter-Korean parliamentary talks in December 1988 related that "Chae-hwan is studying the 'tyranny' of transnationals in North Korea."

According to experts on North Korea, Pyongyang has been training special "kidnapping forces," selecting about 20 high school graduates who turn in excellent academic performances and show loyalty to the North Korean Workers' Party, since 1975 when Kim Chong-il effectively took power.

The South, meanwhile, repatriated last March Yi In-mo, 77, a prisoner serving a life sentence who refused to convert, to the North through the border village of Panmunjom for humanitarian reasons.

Improvement of DPRK Human Rights Urged

SK0108071694 Seoul HANGUK ILBO in Korean 1 Aug 94 p 3

[Editorial: "We Should Not Keep Silent About the North Korean Human Rights Situation"]

[Text] What is the North Korean human rights situation? Some people say that "in North Korea there does not exist such a concept as human rights." This may be a radical answer; still, this indicates the seriousness of the North Korean human rights situation.

The U.S. State Department, the UN Human Rights Commission, Amnesty International, and other international human rights organizations have so far taken the lead in gathering information on the North Korean human rights situation and making it public to the world. Nevertheless, it has been difficult for them to know the real situation because of North Korea's secretiveness. Therefore, they merely provided general information. We do not know whether ROK intelligence and security agencies have information on the North Korean human rights situation. However, they have not made any information public.

Amnesty International's 30 July report gave very many details about the situation. It even released the names of the 58 political prisoners and introduced in detail the facilities of the "Sungho Village," where 600 people are detained, and how the detainees are treated.

The report says that most of the detainees in the concentration camp appear to be prisoners of conscience, that some detainees died in prison, and that some others have been detained for more than 30 years.

What surprised us more than anything else is that Mr. Ko Sang-mun is among the 55 detainees on the Amnesty International report. He was a teacher at Sudo Girls' High School. When he was studying in Europe, he went to Oslo, Norway, in April 1979 and lost his passport. Embarrassed, he went to the North Korean Embassy by mistake and was eventually kidnapped. However, North Korea insisted he voluntarily defected to North Korea at that time.

The U.S. annual report on the human rights for 1993 states that 150,000 political prisoners were detained in various places in North Korea and that prison tortures and murders were common place. The report for 1991 states that people opposed to the father-son succession of power were executed without trial.

Probably conscious of international opinion, North Korea two years ago revised the Criminal Procedure Law at a Supreme People's Assembly session and publicized its full text. Even though North Korea made such a gesture toward improving the human rights situation, we have no way of knowing whether any change has taken place since then. It is very doubtful if we can expect any improvement in the human rights situation under circumstances in which even after Kim Il-song's death, the dictatorship still remains in the tundra.

While paying too much attention to the North Korean nuclear game, we have not yet spoken of the human rights situation facing our compatriots who have been moaning under the North Korean regime's oppressive rule. The United States and Japan have not been different, even though they have frequently held dialogue with North Korea.

As long as Amnesty International presented clear evidence with regard to the North Korean human rights situation, we should not keep silent any longer. In particular, we must no longer rely on reports by international agencies or organizations but independently gather information, present the human rights issue at North-South dialogue, and make diplomatic efforts with the United States, Japan, and other allies of ours in the United Nations and the international arena, in general, to ensure that the North Korean human rights situation improves.

Persuading North To Release Detainees Urged

SK0108023894 Seoul YONHAP in English 0216 GMT 1 Aug 94

[Text] Seoul, Aug. 1 (YONHAP)—President Kim Yong-sam instructed the cabinet Monday to work at persuading North Korea to release all South Koreans it has abducted and is detaining including Ko Sang-mun, a South Korean schoolteacher.

Kim said the cabinet members should consult closely in appealing to the world for the release of those abducted by North Korea.

Ko's detention at a North Korean political prisoners' camp was disclosed by Amnesty International, which said Saturday that about 600 political prisoners including the schoolteacher are being held at a secret camp in Sungho village near Pyongyang.

A "shocked and surprised" President Kim was briefed on the amnesty report by chief presidential secretary Pak Kwan-yong on Monday morning, senior presidential press secretary Chu Ton-sik said.

Kim told the cabinet to strive to solve the problem of repatriating abducted South Koreans from the same humanitarian point of view shown by South Korea in returning Yi In-mo, a long-term prisoner here who refused to convert from communism, to North Korea.

The government will examine a list of those kidnapped by North Korea, including Ko and a number of fishermen, to determine ways to persuade it to return the abducted South Koreans. The Foreign Ministry will also ask friendly nations such as China and Japan to assist in the repatriation effort.

Ko Sang-mun, a teacher at Sudo Woman's High School in Seoul, was on a study tour of European countries in 1979 when he was abducted by North Koreans on April 15 in Oslo, Norway. He was 31 at the time.

After he was abducted, Pyongyang insisted that Ko had come to North Korea voluntarily and there was no need to return him to the South.

Families Grieve Over Relatives Detained in North

SK0108062494 Seoul YONHAP in English 0536 GMT 1 Aug 94

[Text] Seoul, Aug. 1 (YONHAP)—The detention in a North Korean concentration camp of an abducted South Korean high school teacher, Ko Sang-mun, revealed here last Saturday by Amnesty International, has brought renewed grief to many South Koreans besides Ko's family.

One such person is Yi Yong-uk, a 62-year-old lawyer who once served as vice justice minister and national assemblyman.

The revelation about Ko filled Yi's heart with great emotion as he recalled how his eldest son was also abducted to North Korea while on vacation and studying abroad. His son, Chae Hwan, who was taking a Ph.D. course in economics at the Massachusetts Institute of Technology (MIT), the United States, was vacationing in Vienna, Austria, on July 20, 1987, when he went missing and was later confirmed to have been abducted to the North. Chae Hwan was 25 years old at the time.

After confirming his son's abduction in the United States, Yi appealed to the International Red Cross and Amnesty International for help, but all in vain.

"I've tried to forget the whole incident, but my wife's occasional anguish reminds me of it," he said.

While studying in the United States, Chae Hwan was a brilliant student earning straight A's and a filial son who frequently inquired after his parents, Yi recalled.

When an accord was reached in late June to hold the first-ever inter-Korean summit, he gave a skeptical assessment: "We cannot be sure about South-North relations until we see the outcome."

But when he moved on to the issue of reuniting separated families between North and South Korea, Yi was firm in lamenting: "Probably no other country on earth has been deprived of a means of even finding out whether our split family members are alive or dead for nearly half a century."

One year after the abduction, his parents received word indirectly that Chae Hwan was doing research on multinational firms and had married a North Korean woman.

The information was passed on by a North Korean reporter covering the inter-Korean working-level contact to a South Korean journalist.

Dismissing the message's credibility, Yi hoped that letter exchanges between the two Koreas will eventually be allowed. "For now we don't expect to see him. We only wish to exchange letters with him just to make sure he is alive," the lawyer said.

Government Arouses Public Interest in Detainees

SK0108072094 Seoul YONHAP in English 0711 GMT 1 Aug 94

[Text] Seoul, Aug. 1 (YONHAP)—The government and the Red Cross hope to arouse the world's interest in the repatriation of Ko Sang-mun, a South Korean teacher who was abducted by North Korea, Foreign Ministry and Red Cross officials said Monday.

The Foreign Ministry, heeding President Kim Yong-sam's order to strive for the repatriation of Ko issued earlier in the day, plans to ask the United Nations High Commissioner for Human Rights through the South Korean mission in Geneva to intervene in the matter, a ministry official said.

It will also send a representative to the United Nations subcommission on human rights this week to raise the issue of human rights in North Korea and awaken global interest in Ko's repatriation by Pyongyang, following a report by Amnesty International (AI) which proved that Ko was forcibly abducted by North Korea.

Ko's detention in a North Korean camp for political prisoners was disclosed by AI, which said Saturday that about 600 political prisoners including Ko are being held at a secret camp in Sungho village near Pyongyang.

Ko, a former teacher at Sudo Girls High School in Seoul, was on a study tour of European countries in 1979 when he was abducted by North Koreans on April 15 in Oslo, Norway. He was 31 years old at the time.

The Foreign Ministry also plans to request intervention by the International Red Cross and boost international cooperation with countries like China, Japan and the United States.

Meanwhile, the Korea National Red Cross is studying directly asking the North Korean Red Cross to send Ko Sang-mun back to South Korea.

The Red Cross will consult with the National Unification Board (NUB), which is in charge of direct telephone links to and from North Korea.

Yi Pyong-ung, secretary-general of the Korea National Red Cross, said, "with the report by Amnesty International, it was clearly disclosed that Ko did not go to North Korea of his own free will but was abducted by North Korea.

"We will use every means to help in realizing Ko's return, including directly asking the International Red Cross and international human rights organizations as well as the North Korean Red Cross."

Ko's Family Urged To Plead Directly to UN

SK0108085994 Seoul YONHAP in English 0719 GMT 1 Aug 94

[Text] Seoul, Aug. 1 (YONHAP)—The Seoul government has suggested that the family of Ko Sang-mun, a high school teacher abducted by North Korea 15 years ago, initiate direct contact with the U.N. high commissioner for human rights to plead their case, officials said Monday.

The U.N. commission installed a special fax line last month, open 24 hours a day, to receive calls for emergency assistance on cases of human rights violations.

The line is for private, non-government requests only and the commissioner receives petitions directly, minimizing the time delay, the officials said. But the commission still needs to complete the necessary procedures in dealing with a case, and no immediate action is guaranteed.

Amnesty International revealed last weekend that Ko, who disappeared from Oslo, Norway, on April 15, 1979, is incarcerated in one of the most feared camps in North Korea as a political prisoner.

President Kim Yong-sam ordered his cabinet Monday morning to pull out all the stops, such as winning other nations' support, to free Ko and others taken forcibly to North Korea.

"The best way to solve this problem is to have family members plead directly to higher authorities and international organizations. Because of the sensitivity of the matter, the government needs to consider further if it wants to take up the issue at an international forum," said one Foreign Ministry official.

The U.N. subcommission on human rights opens its regular session this year from Aug. 1 to 26, when Seoul may decide to raise the issue of abducted South Koreans. It will be brought up under agenda 10 on the human rights of detainees, which may be addressed sometime next week. A North Korean delegation will also attend the subcommission meeting.

Trade Minister Meets With Hong Kong Counterpart

SK3007025794 Seoul YONHAP in English 0225 GMT 30 Jul 94

[Text] Hong Kong, July 30 (YONHAP)—South Korean Trade, Industry and Energy Minister Kim Chol-su met Saturday with his Hong Kong counterpart T.H. Chau to discuss further expanding bilateral trade and economic cooperation.

Prior to visiting Hong Kong, Minister Kim toured members of the Association of Southeast Asian Nations (ASEAN) from July 21 to solicit their support for his bid to become secretary-general of the proposed World Trade Organization (WTO).

In his meeting with Chau, Kim expressed satisfaction with the steady increase in bilateral trade, which has nearly tripled since 1987.

Kim is scheduled to fly home Saturday.

Optimism on ASEAN Support for WTO Bid Noted

SK0108092094 Seoul YONHAP in English 0821 GMT 1 Aug 94

[Text] Seoul, Aug. 1 (YONHAP)—Trade, Industry and Energy Minister Kim Chol-su said Monday he is optimistic about Southeast Asian nations' support for his bid to become the first director- general of the World Trade Organization (WTO) to be set up early next year.

Kim returned Sunday from a "very useful" 10-day tour of ASEAN (Association of Southeast Asian Nations) members and Hong Kong.

"I can confirm the view that a person representing the dynamically developing Asian economies should be elected as new WTO director-general is spreading among the Southeast Asian nations," he told reporters.

Indonesian President Suharto told Kim he would see to it that the ASEAN nations as a group back South Korea's bid for the post of WTO director-general, and other governments also unofficially expressed their support.

With an eye to public relations, Kim had interviews with leading news media in the region including the ASIAN WALL STREET JOURNAL, the FAR EASTERN ECONOMIC REVIEW and THE STRAITS TIMES, and they all gave considerable weight to their interview stories, he said.

The member nations of the GATT (General Agreement on Tariffs and Trade) will take stands for or against those vying in the WTO director-general race, coinciding approximately with the coming GATT general meeting slated for mid-September.

Kim said the government would solicit support for his candidacy during the ASEAN ministerial meeting from Sept. 21-23 and the Asia- Pacific Economic Cooperation ministerial meeting due in mid- November.

Saying his election requires the support of the European and American countries as well as developing nations, he said he is contemplating visiting India, Pakistan, the United States and Canada in early September.

Small Firms To Build Mexican, Paraguayan Centers

SK2707051694 Seoul THE KOREA HERALD in English 27 Jul 94 p 8

[Text] Small- and medium-sized businesses are pushing to establish an industrial complex in Mexico.

Pak Sang-kyu, president of the Korea Federation of Small Business (KFSB), said negotiations are under way to set up a 300,000-pyong (990,000 sq. meters) industrial complex in Rio Bravo at the northern tip of Mexico near the U.S. border.

KFSB leaders including Pak returned recently from a 14-day trip to Mexico, Paraguay and Peru to promote KFSB's activities in those countries.

Mexico's lower labor costs and free trade with the United States and Canada arising from the North American Free Trade Agreement (NAFTA) are the reasons for KFSB's initiatives, Pak said.

In a separate development, the KFSB will also seek to set up a Korean product exhibition center in Ciudad del Este in Paraguay by 1995. The center will exhibit products made by small- and medium-sized manufacturers in the city located within Paraguay's free trade zone.

Plans for the industrial complex in Mexico will be finalized during the October visit to Seoul by the governor of the Tamaulipas which includes Rio Bravo, Pak said. The city is located 20km south of the U.S. state of Texas.

The governor is scheduled to meet with Korean Government officials to agree on specifics of the planned complex, after which KFSB plans to start sending its study missions.

For now the city government of Rio Bravo expressed its interest in providing the land equipped with infrastructure like railroad, roads, gas, plumbing and electrification for a price of 1,370 won ($1.71) per one pyong (3.3 sq. meters), according to KFSB.

The city government officials have also reportedly told the KFSB mission of the availability of 20,0000 to 25,0000 workers at a monthly wage of about 258,000 won ($320).

The industrial complex upon completion will primarily serve the needs of small- and medium-sized businesses, which in Korea are defined as firms employing up to 299 persons. But KFSB officials said they are not ruling out the possibility of forming consortiums with big businesses.

Government Tightens Security Policy Coordination

SK3007024194 Seoul TONG-A ILBO in Korean 30 Jul 94 p 1

[Text] Assessing the lack of advance coordination among relevant government offices handling North Korean policies, including Chongwadae [presidential offices], the National Unification Board [NUB], and the Agency for National Security Planning [NSP], to be the cause for the sensation surrounding North Korean defector Kang Myong-to's remarks regarding "North Korea's possession of five nuclear warheads," the government has decided to comprehensively reexamine the coordination system regarding North Korean policy. The government also intends to exercise restraint in accepting North Korean defectors whose motives for defection are unclear. The government intends to closely examine the motives for defection and to make them public.

Earlier, Chongwadae and the NUB expressed their concern regarding North Korean defector Kang Myong-to's remarks that were released without appropriate prior scrutiny during a 27 July news conference arranged by the NSP. On 28 July the United States also expressed their concern over Kang's remarks and made a request for the real facts of the case. In response, the government has decided to inform the United States that Kang's remarks are considered to be unconfirmed intelligence and that there is no change in the ROK-U.S. joint cooperation system.

The government on 29 July held a reunification and security policy coordination meeting presided over by Yi Hong-ku, vice prime minister and unification minister, and discussed measures for quelling the stir caused at home and abroad by North Korean defector Kang's remarks.

Universities Forbid Political Gatherings on Campus

SK0108091494 Seoul YONHAP in English 0758 GMT 1 Aug 94

[Text] Seoul, Aug. 1 (YONHAP)—Some major South Korean universities plan to deny permission for political and ideological gatherings of student activists that are held on campus.

The policy is expected to spread to other universities across the country as school authorities count up the damages caused by clashes between students and riot police on campus. Student rallies have also resulted in occasional paralysis of academic affairs and administration.

Konkuk University disclosed Monday that it would not offer its campus for the fifth pan-national congress opening Aug. 13 for three days.

At a staff meeting Monday, the university decided not to provide its campus for the rally as it would disturb the academic activities of students and professors and could lead to damages brought by clashes between students and the police.

Meanwhile, Sogang University has decided not to allow a political seminar by Seochongnyon (the Seoul chapter of the Korea Federation of University Councils) scheduled to begin Monday.

Sogang also asked the police to monitor entry into the campus by other university students suspected of trying to attend the seminar on national unification.

One university staffer explained that such action was taken as the seminar bore a political coloring and was open to other university students.

In a related development, Education Minister Kim Sukhui asked the presidents and deans of the nation's 292 universities and colleges to conduct thorough academic management that creates a sound atmosphere for study.

In a letter, the minister emphasized that the schools should carry out stern academic management while assuming responsibility for students who destroy campus order.

She said such leftist students, although few in number, were creating social unrest and running counter to the flow of history.

Strong Yen Decreases Share of Japan's Imports

SK0108012894 Seoul YONHAP in English 0054 GMT 1 Aug 94

[Text] Seoul, Aug. 1 (YONHAP)—South Korea's share of the Japanese import market is on the decline despite an increase in Korean exports to Japan due to the strong yen.

Japan's imports from South Korea in the first half of the year totaled 6,004 million U.S. dollars, up 13.3 percent from a year earlier, but South Korea's share of total Japanese imports in the half-year period fell from 4.9 percent last year to 4.7 percent, the Korea Trade Promotion Corp. (KOTRA) said, citing figures released recently by the Japanese Finance Ministry.

On the other hand, China hiked its half-year exports to Japan by 32.3 percent to 11,601 million dollars, with its share of Japanese imports rising from 8.5 percent last year to 8.7 percent.

Singapore also did well in trade with Japan during the six-month period, with exports climbing 24.3 percent to 190 million dollars and its market share inching up from 1.5 percent to 1.7 percent.

Overall exports to Japan by the Association of Southeast Asian Nations (ASEAN) in the first half totaled 17,706 million dollars, with the group's share of the Japanese import market growing to 14 percent from 13.1 percent last year.

Taiwan and Hong Kong retained last year's market shares of 4 percent and 0.8 percent, recording exports of 5,032 million dollars and 976 million dollars, respectively, in the first half.

KOTRA officials said the sharp growth in Chinese and Singaporean exports ate into South Korea's share of the Japanese import market, though the country's exports to Japan showed an increase for the first time in four years.

Strong Yen Boosts ROK Exports to Japan

SK3007021594 Seoul YONHAP in English 0145 GMT 30 Jul 94

[Text] Seoul, July 30 (YONHAP)—Thanks to the stronger yen, South Korean general trading companies' exports to Japan, led by semiconductors, increased sharply during the first half of this year, recording the highest growth rate in four years.

Exports to Japan by the seven general trading firms during the half-year period reached 1,578.56 million dollars, up 20.2 percent from the same period last year, according to business sources. One general trading company registered a notable growth rate of 52.2 percent.

During the cited period, Samsung Co. Ltd. posted exports to Japan of 471.66 million dollars or a 49.9-percent increase over the same period the previous year; Hyundai Corp. 189.93 million dollars or a 52.2-percent hike; and Lucky-Goldstar International Corp. 160.53 million dollars or up 43.8 percent.

By item, Samsung Co. Ltd. shipped to Japan electronic and electrical products including semiconductors worth 315.21 million dollars, up 129 percent, 4.15 million dollars worth of machinery, up 193.3 percent, and 19.77 million dollars worth of sundry goods, up 576.1 percent.

Hyundai Corp. shipped out 77.55 million dollars in electronic and electrical products, up 70.1 percent, 42.87 million dollars in steel, up 53.7 percent, 6.93 million dollars in chemical products, up 75.1 percent, and 12.89 million dollars in machinery, up 576.1 percent.

Lucky-Goldstar International Corp. exported 19.87 million dollars worth of electronic and electrical products, recording a growth rate of 50.2 percent, 1.57 million dollars worth of machinery, up 108.3 percent, and 21.66 million dollars worth of miscellaneous goods, up 181.8 percent.

The business sources attributed the seven firms' increase in exports to Japan to the yen's rapid appreciation this year and brisk exports of semiconductors. Samsung, Hyundai and Lucky-Goldstar enjoyed remarkable growth in exports to Japan thanks mainly to the boom in semiconductor shipments, they said.

Drought Causes Inflation To Near Boundary

SK3007021494 Seoul YONHAP in English 0116 GMT 30 Jul 94

[Text] Seoul, July 30 (YONHAP)—This year's inflation goal of below 6 percent is under threat, largely from skyrocketing prices for farm produce due to the long drought and heat spell.

Consumer prices in July rose a further 0.9 percent after June's 0.7 percent, the Economic Planning Board [EPB] and the Bank of Korea said Saturday.

This year's consumer prices have climbed 5.2 percent by the end of July, already approaching the year-end target of 6 percent. Prices have gone up 6.9 percent since July last year.

EPB Director-General Kim Pyong-il explained the price jump in July was the result of the exceptional heat and drought, predicting that vegetable and chicken prices would head downward toward the end of August or in early September.

"The characteristic of this year's price increase is largely affected by the agricultural harvest," he pointed out. "As the drought is being quenched gradually, this year's rice crop, the key factor in price hikes, will not be so bad."

Trade Ministry Reports on Balance of Payments

SK0108030994 Seoul YONHAP in English 0226 GMT 1 Aug 94

[Text] Seoul, Aug. 1 (YONHAP)—South Korea's balance of payments was further polarized in the first half of this year, with its trade deficit growing with advanced nations and its trade surplus expanding with developing countries. Seoul's overall trade deficit worsened during the period.

The Ministry of Trade, Industry and Energy said Monday that South Korea was in the red in trade with all advanced countries during the half-year period, but in the black with developing nations—except those in the Middle East, from which it imports oil. Trade with the former group accounted for 50.7 percent of the total and that with the latter for 49.3 percent.

By country and region, the balance of payments with the United States, which marked a surplus of 162 million dollars during the first half of 1993, recorded a deficit of 357 million dollars in the first six months of this year. The trade deficit with the European union deteriorated by 88.6 percent from 712 million dollars in the first half of last year to 1,343 million dollars, and that with Oceania by 8.8 percent from 1,503 million dollars to 1,636 million dollars.

In particular, the trade shortfall with Japan grew to 5,858 million dollars from 4,433 million dollars, with the probability that the figure will exceed 10,000 million dollars for this year.

On the other hand, trade with ASEAN posted a surplus of 1,565 million dollars, up 93.2 percent from the first half of last year, and trade with Hong Kong a surplus of 3,465 million dollars, up 20.8 percent from 2,868 million dollars.

The trade deficit with the Middle East, from which South Korea imports most of its oil, reached 2,324 million dollars, down 17.6 percent from 2,831 million dollars registered in the first six months of last year. South Korea's trade surplus with Central and Latin America came to 1,352 million dollars, up 25.7 percent from 1,075 million dollars.

Touching on the deepening polarization of the nation's trade pattern, a ministry official observed that "our country virtually gives money earned from developing countries away to advanced countries." He termed the phenomenon undesirable on the ground that this might invite trade conflicts with developing nations.

Deficit in Machinery Import-Export Trade Noted

SK2407041494 Seoul THE KOREA HERALD in English 24 Jul 94 p 8

[Text] Amid active investment in production facilities, imports of general machinery, especially chemical plants and machine tools, are growing sharply.

Exports of Korean-made general machinery are also growing but not to a degree large enough to offset the import growth. As a result, the deficits on the machinery trade are ballooning.

According to tallies compiled by the Ministry of Trade, Industry and Energy (MOTIE), the nation imported a total of $5.97 billion worth of general machinery, up 25.6 percent from a year ago.

General machinery includes machine tools, textile machinery, chemical plants, construction and mining gears, and loading and unloading equipment. Office machinery is also a category of general machinery but the MOTIE tallies do not include it.

During the same period, exports totaled $1.81 billion, chalking up an impressive growth rate of 23.8 percent. This rate, however, is still much lower than that for imports.

The gap between imports and exports hence bulged to $4.16 billion for the first six months of the year alone. The red figure in general machinery trade is far larger than the nation's whole merchandise trade gap of $3.56 billion for the same period.

From January to June, the nation's exports totaled $43.79 billion on the free on board (FOB) basis, while exports amounted to $47.34 billion with cost, insurance and freight (CIF) included.

According to the MOTIE statistics, imports of chemical machinery more than doubled to $244 million in the first half of the year.

A MOTIE official ascribed the explosive growth to brisk facility expansion among domestic oil refineries.

"The refineries are preparing for the expected boom of the international chemical industry next year," the official said.

In a sharp contrast to import growth, exports of Korean-made chemical machinery dropped to a mere $90 million, or down 32.8 percent.

Machine tool import also surged by an almost 50 percent, comparing with 17.2 percent growth in exports. Imports amounted to $595 million, while exports are $68 million, one-ninth of imports.

Imports doubled exports in textile machinery, too, although Korean products are enjoying a growing demand in foreign countries. Korea brought in $506 million worth of foreign textile and leather machinery, while shipping abroad $253 million.

The import surge is disturbing to MOTIE officials as it occurs amid the continuing appreciation of the Japanese yen.

In theory, the strong Japanese currency should boost exports of Korean machinery, while at the same time curbing imports from Japan.

In reality, however, Korea's deficits in machinery trade with Japan are growing because of its high technological dependence on its neighbor.

Despite the strong yen, Korean firms continue to procure machinery from Japan because it embodies more advanced technology.

As of the end of May this year, machinery imports from Japan amounted to $2.05 billion, up 31.9 percent from a year ago. In contrast, exports of Korean machinery to Japan grew 12 percent, from $82 million to $92 million.

As a result, the trade gap with Japan grew to about $2 billion which comes to an increase of 33 percent.

This year, Korea is expected to suffer over $10 billion in deficits against Japan in overall trade, the machinery sector being the biggest drain for Korea.

The strong yen, however, has been instrumental in boosting competitiveness of Korean construction and mining equipment as well as loading and unloading gears.

Exports of loading and unloading machinery more than doubled to $173 million in the first half. The jump, according to a MOTIE official, is mainly due to the massive port expansion projects in Singapore, Malaysia and Indonesia.

The port projects also created huge demand for Korean construction gears. Shipments of such heavy equipment as excavators and cranes rose to $242 million, up 68.3 percent. Demand for Korean construction gears is also strong in China and Thailand, according to the MOTIE official.

The MOTIE expects the high export growth rate of construction and mining gears to continue in the second half of the year. But that of loading and unloading gears is expected to partially slow down.

In other categories of general machinery, for example, paper manufacturing and printing machinery and pumps, imports have surpassed exports.

At the same time, the nation suffered a large trade deficit in machinery parts. During the first six months of the year, parts imports amounted to $398 million, up 22.3 percent, while exports totaled $67 million.

Since 1986, the MOTIE has been implementing a program to localize machinery, parts and high-tech raw materials. As of the end of last year, some 3,500 items from among 6,500 selected by the MOTIE for localization have been successfully developed.

The success ratio for general machinery was 52 percent, comparing with 89.2 percent for auto parts and 70.7 percent for shipbuilding equipment.

Despite these efforts, however, the nation's import dependency ratio for capital goods rose from 46 percent in the 1980-1985 period to 58 percent in the 1992-1993 period.

This implied that the technology gap between Korea and advanced countries in advanced machinery fields has been widening, rather than diminishing.

One implication of this grim reality is that the higher Korea climbs the industrial ladder, the more it is likely to depend on foreign machinery.

"'To break this vicious circle, the government should invest more boldly to improve the domestic standards in basic technologies," said Kim Mi-suk, a researcher at the Korea Institute for Industrial Economics and Trade (KIET).

Kim, however, added that it will take considerable time and effort for Korea to catch up in the general machinery sector. One short cut may be to attract investment in Korea by Japanese machinery manufacturers who are facing growing difficulty in maintaining their competitive edge under the persistently strong Japanese yen.

Foreign Banks Encounter Difficult Negotiations

SK2907021394 Seoul YONHAP in English 0127 GMT 29 Jul 94

[Text] Seoul, July 29 (YONHAP)—The trade union of Banque Nationale de Paris decided here last Wednesday to confront the management, demanding a change in its "insulting" attitude toward workers.

The union of the bank's Seoul branch decided unanimously to begin a dispute but to entrust the union's executive committee with full powers, including determining the dispute methods and the time to begin action which may involve a strike.

The union claims the foreign branch manager is hurting workers' pride by making an issue of their trifling mistakes as well as intentionally worsening the atmosphere by looking down on staff.

In one particular case, after Hyundai Precision and Industry Co. suffered a 20-billion-won exchange loss in the process of an exchange transaction with the bank, it cut 15 percent from the concerned dealer's basic salary without giving him the opportunity to defend himself, according to the union.

Meanwhile, branches of four other foreign banks—Citibank, First National Bank of Boston, First National Bank of Chicago and Royal Bank of Canada—are having difficulties concluding collective bargaining or wage negotiations with labor unions, which may report the occurrence of disputes to the authorities next month.

In addition, the unions of other French banks here including Banque Paribas, Banque Indosuez and Credit Lyonnais have not been able to agree to the wage hike guideline, 9.5 percent, set by an organization of foreign finance firms in Korea.

As a result, more than 10 foreign banks here may face labor disputes this year, a bank official predicted.

Economic Institute Says Competitiveness Declining

SK2907021294 Seoul YONHAP in English 0132 GMT 29 Jul 94

[Text] Seoul, July 29 (YONHAP)—South Korea's international competitiveness has been worsening since 1989 in comparison with such Asian rivals as Japan, Taiwan, China, Hong Kong and Singapore.

A private economic institute said in a report Friday that Korea's comparative competitiveness in the world market has lagged behind these Asian countries' for five consecutive years.

The Daewoo Economic Research Institute revealed in a report titled "the trend of differential index of comparative competitiveness" that of these nations, Korea's competitiveness against Hong Kong worsened most notably during the period, with last year's index registering 171.4 from 119 in 1989. The competitive power worsens if the index is higher than 100 and improves if the index is lower than 100.

Korea's differential index with China rose steadily to 152.6 last year from 109 in 1989, showing an average increase rate of 8. 8 percent. In addition, Korea's index with Singapore showed an average annual increase rate of 7.9 percent, jumping to 146.5 from 109.2 in 1989.

In the cases of Taiwan and Japan, Korea's comparative index was relatively lower than against other countries with 114.1 and 108.1 last year, respectively.

In major world markets, Korea's index with China in the U.S. market surged an average 63.3 percent annually to 1,162.5 from 368.0 in 1989. Korea's index with Singapore also deteriorated to 176.7 from 1989's 104.7, representing an annual rate of 12.1 percent.

In the American market, Korea's index with Japan and Taiwan also deteriorated last year with 152.4 and 137.0, respectively, from 112.7 and 112.0 in 1989.

In the Japanese and European Union (EU) markets, Korea's competitive power with these Asian countries showed similar weakness over the past five years.

Imports of Producer Goods Increase

SK0108064794 Seoul YONHAP in English 0629 GMT 1 Aug 94

[Text] Seoul, Aug. 1 (YONHAP)—Imports of producer goods related to capital investment such as machinery and electronics equipment are increasing sharply, reflecting a general upturn in business activities and the resulting rise in corporate investment in plants and equipment.

Producer goods imports in the first half of the year totaled 18, 297 million U.S. dollars, up 22 percent from a year earlier against increases of 0.1 percent in 1993, 1.6 percent in 1992 and 18.2 percent (to 30,092 million dollars) in 1991, the Korean Customs Administration said Monday.

Half-year imports of such consumer goods as food and apparel also climbed 20.1 percent from the year before to 4,897 million dollars. The growth pace compares with rates of 2.5 percent in 1993, 6.3 percent in 1992 and 20.1 percent (to 7,982 million dollars) in 1991.

The weight of producer goods imports in the nation's total imports rose from 36.9 percent in 1991 to 37.4 percent in 1992 before falling to 36.5 percent in 1993. In the first half of this year, it showed an increase to 38.6 percent.

The first half saw exports of producer goods break down to 7,532 million dollars in machinery (41.2 percent of the total), 6,394 million dollars in electric and electronics equipment (34.9 percent), 1,976 million dollars in transport equipment (10.8 percent) and 1,448 million dollars in precision equipment (7.9 percent).

Civic Groups Defend Rights of Migrant Workers

SK2407042394 Seoul THE KOREA TIMES in English 24 Jul 94 p 3

[By staff reporter Sim Chae-yun]

[Text] Civic groups and activists are rolling up their sleeves to help solve the problems foreign workers here are faced with in a fresh move amid criticism that South Korea has remained a barren in terms of migrant workers' human rights.

Relevant organizations are seeking to inaugurate the tentatively named "Citizen Coalition for Migrant Workers in Korea" as a mouthpiece for overseas workers here, most of whom are working without authorization.

Foreign Mission Church in Korea (FMCK), is planning to set up the organization sometime in August and to hold an international seminar at the same time.

"The (envisioned) coalition's initial project is to positively participate in the international network, in particular, the Asia Migrant Center based in Hong Kong," Rev. Chi In-suk, head of the FMCK said in an interview with The Korea Times.

"Despite ever increasing number of foreign workers here, the nation has remained a 'brutal' country to them at large," Chi claimed.

There are some 52,000 illegal foreign workers staying here as of early this year, according to a data of the Justice Ministry.

The civic groups, however, estimate that they exceed more than 100,000. It was just after the 1988 Seoul Olympics when foreign workers, mostly from Southeast Asia, began to rush amid a trend of avoiding "3-D" (difficult, dangerous and dirty) jobs here.

"Regrettably, the country is known as a wasteland in the international society as far as human rights for migrant workers is concerned," Chi said.

Chi is now concentrating on helping victims of industrial disasters, including those who have already returned to their home countries without receiving any due compensation.

He criticized the government for its lukewarm attitude toward the question, noting that it had promised early this year to guarantee compensation for those who suffered injuries during work for the past three years.

"This is not enough and, in a sense, superficial and expedient step. The three-year term is too short because the process for compensation takes so long time," he said.

In this vein, the FMCK invited Carmelita Nuqui, executive director of BATIS (meaning stream in the Tagalog language) Center for Women of Philippines, the representing body dealing with the issues concerning migrant workers in the country.

"The employers are asked to treat the foreign workers equally, respecting their personal and human rights," she said.

"Low wages and miserable working conditions are also serious problems," she added. "I know that they are mainly engaging in the so-called three-D jobs," she added.

Daily Profiles Dongbu Business Group

SK2707045194 Seoul THE KOREA HERALD in English 27 Jul 94 pp 8, 9

[By staff reporter Yu Kun-ha]

[Text] To outsiders, this year appears to be tough for the Dongbu Business Group, the nation's 14th largest chaebol in terms of turnover. From the beginning of the year, it was embroiled in a bribery scandal which rocked the nation's political circles.

On Jan. 25, just one day after the group marked its 25th anniversary, an opposition lawmaker alleged that Korea Automobile Fire and Marine Insurance Co. (KAFMI), the group's nonlife insurance subsidiary, had bribed members of the Assembly Labor Committee.

The allegation and subsequent prosecution investigation dealt a harsh blow to the corporate image of Dongbu, a conglomerate consisting of 13 subsidiaries whose combined revenues totaled 3.6 trillion won (about $4.5 billion) last year.

About two weeks ago, Dongbu suffered another setback. It had to allow the mighty Samsung Business Group to seize control of the Korea Fertilizer and Chemicals Co. (KFC) by purchasing the firm's government-held shares through open bidding.

Dongbu, which owns a 30.8 percent share, decided not to participate in the bidding because it knew it could not outbid its cash-rich rival. Samsung became the successful bidder by offering a price some 100 billion won above the price set by the government for the share.

Outsiders may think that these two incidents would have demoralized the group's management and officials considerably. Insiders opinion, however, is contrary to this notion.

The bribery scandal, they said, did cause some negative impressions of the group among the public. But at the same time, it provided an occasion to reshape the insurance company which has suffered from chronic labor disputes.

"We are preparing for a reform in management for the insurance company next month. The trouble-ridden firm will then be completely reborn," said Na Yong-hon, an executive at the group's management coordination office.

KAFMI accounts for 25 percent of the group's turnover. This large subsidiary, however, has been a headache for the group. The main source of trouble was its militant labor union which attempted to control the firm.

"Now, the union has lost power as most of its members are sick and tired of disputes and are cooperative with management in turning the company back to normal," Na said.

As for the loss of control of KFC to Samsung, group chairman Kim Chun-ki condoled his officials by saying that Dongbu had done its best but Samsung was too formidable a rival.

The trials that Dongbu had experienced this year, according to an official, can be likened to the ritual passage that a youth undergoes to become an adult.

By Korean corporate standards, Dongbu is a young group. Its birth dates back to 1969 when group chairman Kim Chun-ki set up a construction firm at the age of 25. He was then still a university student.

During the two and a half decades, Kim has single-handedly built the construction firm into a group with some 15,000 employees. The group's sales target for this year is 4.1 trillion won (about $5.1 billion).

Dongbu's growth history is rather unique. Kim built the group with the dollars he had earned from construction projects in the Middle East.

For some 10 years from 1975, Kim's Miryung Construction, now renamed Dongbu Engineering and Construction, had won over 40 small and large projects totaling $2 billion in contract money.

Kim was highly selective in order taking. While other Korean construction firms were eager to get large projects, Kim focused only on the lucrative ones.

The young entrepreneur used his huge dollar earnings to set up or buy out firms, first in the heavy manufacturing industry then in the finance and insurance industry. Now his group is engaged in steel, chemicals, trading, finance and insurance, construction, and transportation-distribution.

"Kim is clearly distinguishable from other construction upstarts of the 1970s and 1980s who earned huge amounts of dollars from the Middle East and used them to buy real estate at home," said O Yong- ho, a Dongbu official.

Many of these construction upstarts actually caused harm, rather than good, to the national economy by giving rise to a real estate speculation boom. In addition, by receiving orders beyond their reach, they later invited claims from clients and went bankrupt.

"The chairman often says proudly that he has built the group with his own money, not relying, as others do on borrowing from abroad," said Han Kyong-sop, an executive in charge of planning at Dongbu Steel Co., one of the group's flagship companies.

The management philosophy at Dongbu is also quite unique. According to Han, Kim often stresses that an entrepreneur is not a merchant. For a merchant, the primary goal is to make money. But for an entrepreneur, the overriding aim is to run a good enterprise which contributes to the nation, its stockholders and employees.

"Our slogan is not maximization of revenues or profits. Kim is not interested in enlarging the size of his companies. He is not interested in making as big a profit as possible, either. He tells us that we should concentrate on making our companies solid inside and rich in substance," Han said.

According to group officials, Kim maintained this philosophy from the day he founded Miryung Construction.

A son of a well-known politician, Kim did not start business to make a living. His family was rich enough for him to be free from such a concern. From the start, he wanted to establish himself as an entrepreneur, a path different from his father's.

This background explains Dongbu's emphasis on substance, rather than appearance. It also explains the group's initial concentration on heavy manufacturing industries.

"Kim invested his dollar earnings from construction projects into heavy industries because he thought that was to contribute to the nation," said Yi Chung-kun, a group official.

Kim first acquired a stake in Korea Fertilizer and Chemical Co. (KFC) in 1978 and then in 1984 took over a steel firm from Pohang Iron and Steel Co. which is now called Dongbu Steel Co.

In 1986 and 1988, Kim purchased a petrochemical firm and fertilizer company from the government. The two firms were later merged into Dongbu Chemical Co. Kim intended to take over KFC and merge it with Dongbu Chemical but failed.

According to industry experts, Dongbu is a well diversified group, with one foot set in such heavy industries as steel and chemicals and the other set in such service sectors as trading, insurance, securities and transportation.

Under the government-initiated specialization drive for the nation's 30 biggest business groups, Dongbu selected steel and distribution-transportation as its core business domains.

Dongbu Corp., the group's trading arm, is intent on branching out into the distribution industry which is considered by many a high growth sector.

Along with Dongbu Express Co., the group's transportation arm, Dongbu Corp. plans to set up a department store chain and begin the hotel business.

Statistical Office Releases Population Figures

SK2807085694 Seoul YONHAP in English 0813 GMT 28 Jul 94

[Text] Seoul, July 28 (YONHAP)—The Korean population has increased more than five-fold since the period of modernization began around 100 years ago, with Seoul and Pusan growing about 40 times, the National Statistical Office said Thursday [28 July].

The news was contained in the office's report on "The Korean Economy and Society During Its Period of Modernization," marking the 100th anniversary of "Kab-o Kyongjang," the reform in the year "Kab-o" (1894).

According to the report, the nation's population was 13,023,000 in 1906 and 13,313,000 in 1910. The population on the Korean peninsula—in both the South and the North—was estimated at 67,940,000 as of July 1 this year, about five times as many people as in 1910. The South Korean population alone was 44,450,000 at the beginning of this month.

With the beginning of the industrialization period about 40 years ago, Korean cities began to experience skyrocketing population growth. The Seoul population had jumped from 279,000 at the end of 1910 to 10,726,900 as of the end of April this year, while that of Pusan soared from 96,400 to 3,795,700—or more than 39 times—during the cited period.

The country's population density was 60 people per square kilometer in 1906, far higher than the average world population density as of July 1 this year, the report said.

Estimated in the price of silver, rice in 1898 cost 23,250 won (about 29 U.S. dollars) per 80 kilograms, compared to 127,000 won (158 dollars) now. The price of beef was 699 won per 600 grams then, but it has soared to 9,000 won—12.9 times more expensive.

The number of foreigners residing in Korea at the end of 1910 was 184,237, topping the 66,688 foreigners who had lived here more than 90 days at last year's end.

Roughly 10 billion won (about 12.5 million dollars) was spent in current prices for the funeral of Queen Myongsong, the wife of King Kojong, suggesting that the government's expenses then were very different from modern days.

Military spending accounted for about a quarter of the total government budget in 1900.

Increase in Industrial Activities Reported

SK3107080494 Seoul YONHAP in English 0741 GMT 31 Jul 94

[Text] Seoul, July 31 (YONHAP)—Spurred by the sustained business expansion, South Korea's major industries saw a conspicuous rise in their activities of production, shipping and investment during the first six months this year.

The National Statistics Administration announced that the country's production and shipping during the first half year grew 10.5 percent and 11.1 percent, respectively, in comparison with the same period last year.

In a report on industrial activities, the Statistics Administration said in particular, the unemployment rate in July dropped to 2.1 percent, which it said was a state of virtually complete employment.

In production, the heavy and chemical industries led the business expansion with 13.5 percent increase over the likely period last year. The production in light industries rose 2.3 percent, a reverse from previous year's minus 8.1 percent.

In June, production and shipping jumped 10.9 percent and 12.2 percent, respectively, due to the vigorous industrial activities in the automobile, machinery, metal, audio-visual and communication industries.

The average operation rate in major industries during the six months rose 82.6 percent from last year's 78.5 percent.

In the investment field, orders of machinery increased 27.2 percent and the total value for its import jumped 59.2 percent.

Overall business expansion brought the unemployment rate down 2.1 percent from 2.3 percent in May.

Burma

Khun Sa's Foreign Minister Asks for Support

BK2907131494 London BBC in Burmese to Burma 1345 GMT 28 Jul 94

[Interview with Keonsai Chaiyen, Khun Sa's foreign minister and aide-de-camp, by BBC correspondent Larry Jagen; place and date not given; read by announcer]

[Text] Last December, Khun Sa announced the independence of Shan State and proclaimed himself its president. Since then, there have been frequent clashes between his Muang Tai Army [MTA] and SLORC [State Law and Order Restoration Council] troops. Khun Sa says he will halt all kinds of opium production if there is a complete withdrawal of SLORC troops from Shan State. Meanwhile, sporadic skirmishes between SLORC troops and Khun Sa's MTA are still taking place. BBC correspondent Larry Jagen asked Khun Sa's Foreign Minister Keonsai whether their battles have political and strategic objectives:

[Begin Keonsai recording in English fading into Burmese translation] We have become strong enough to defend ourselves but not enough to drive the Burmese completely out of our country, and we need more support of the people those at home and abroad. We will not get these necessities and support without fighting the Burmese and it is time now to abandon the old policy—let's garner forces to confront and attack the main enemy.

[Jagen] But Western drug enforcement agencies and SLORC and Thai officials are saying that Khun Sa and his MTA are merely protecting the opium trade and have no political objective.

[Keonsai] Oh, if we have no political ambition then what is the point of building up such a big army. It is not Khun Sa's pocket army. Only the Burmese Army may be called U Ne Win's pocket army, but not Khun Sa's army.

[Jagen] By the way, do you have proof that you have a public support? Have you held elections in Shan State?

[Keonsai] We have held elections in Shan State but they may not be systematic. Representatives have been elected in every village. At present, we can only hold elections this way.

[Jagen] Then, you still don't have a secret ballot system, which means there is no election campaign. In this case, the Western observers might call your elections phony. Don't you think your elections are similar to those conducted by the former military governments?

[Keonsai] First, to hold proper elections there must be peace. If we don't have peace then how can we do that? Just give us peace and we will hold systematic elections.

[Jagen] Does that mean you are ready to hold peace talks with SLORC military officers in Rangoon?

[Keonsai] We have to be strong to hold negotiations with the Burmese because the Burmese never respect truth and justice. They only respect might. So we are building up our army not to fight others but to hold negotiations.

[Jagen] Some observers say that you are engaged in drug trafficking to be financially strong, and this the reason your army is powerful. What is the future plan of the MTA concerning the drug trade in Shan State?

[Keonsai] Once the Burmese side withdraws their troops and their mechanisms from Shan State we will halt all opium cultivation in Shan State on our own. Once there are no poppy plants, there will be no opium and heroin.

[Jagen] If you are really willing to halt the opium trade then why can't you do it without making any demands?

[Keonsai] At the moment, the Shan people is like someone who is drowning. He has to grab at whatever he can to survive. At present, we have to rely on opium. If the world doesn't want us to engage in the opium trade then it must throw us a lifebuoy. If we release whatever we have in our hands before someone throws us a lifebuoy, then we will drown and die.

Minister, Delegation Return From PRC Tour

BK2907160994 Rangoon Radio Burma in Burmese 1330 GMT 29 Jul 94

[Text] A Myanmar [Burmese] delegation led by Brigadier General Maung Maung, minister of Livestock Breeding and Fisheries, which observed and held discussions on matters concerning mutual cooperation in fishery and livestock breeding in the People's Republic of China [PRC] at the invitation of PRC Agriculture Minister Mr. Liu Jiang, returned to the Yangon [Rangoon] International Airport [YIA] on a Myanmar Airways International flight at 1430 this afternoon.

The delegation was welcomed at YIA by U Than Shwe, minister of industry-2; U Soe Tha, minister of communications, post, and telegraphs; Mr. Liang Feng, PRC ambassador; responsible personnel, and family members of the delegates.

While in Beijing from 20 to 26 July, the delegation led by Livestock Breeding and Fisheries Minister Brig. Gen. Maung Maung held discussions and coordinated matters concerning mutual friendship, fishery, and livestock breeding with delegations led by PRC Agriculture Minister Mr. Liu Jiang, and Beijing Mayor (Mr. Li Koi) respectively.

In Beijing, the Myanmar delegation visited a wholesale market for agricultural products, cold storage warehouses, the Institute of Fisheries, a factory that produces animal feed, fresh and salt-water fish breeding centers, and pig and poultry farms. The Ministry of Livestock Breeding and Fisheries also signed a memorandum of understanding concerning cooperation in fishery activities with the Beijing Fisheries Corporation at the Beijing mayor's office on 25 July.

On the way back, the Myanmar delegation stopped over in Hong Kong and visited fish and prawn processing centers and cold storage warehouses. It also visited an agricultural and livestock breeding research farm and a park in (Katoro). On the evening of 28 July, the delegation held a news conference at the Grand Hyatt Hotel. During the news conference, Minister Brig. Gen. Maung Maung explained the political and socioeconomic developments and situations in Myanmar and salient points in the Myanmar Investment Laws. He also answered questions from reporters and extended invitations to come and invest in Myanmar.

Ship Contract With PRC Firm Signed

BK3107135094 Rangoon Radio Burma in Burmese 1330 GMT 30 Jul 94

[Text] A ceremony to sign a memorandum of understanding on the purchase and building of ships between the Ministry of Transport's Five Stars Shipping Enterprise [FSSE] and PRC's Yunnan Machinery Import and Export Corporation [YMIEC] was held at the meeting hall of the FSSE on Theinbyu Street at 0800 today.

The ceremony was attended by Lieutenant General Thein Win, minister of transport; U San Wai, deputy minister of transport; Mr. Chen Shijie, economic counsellor of the PRC Embassy; director generals and managing directors of the Ministry of Transport; U Khin Maung Htoo, managing director of the FSSE, and responsible personnel; Mr. Yang Guo Xiang, deputy general manager of the YMIEC, and responsible personnel; and a specially invited guest.

To provide assistance for the purchase and building of ships, U Khin Maung Htoo, managing director of the FSSE, and Mr. Yang Guo Xiang, deputy general manager of the YMIEC, signed the memorandum of understanding. The ceremony ended at 0830.

Memorandum Signed To Establish Trust

BK0108092794 Rangoon Radio Burma in Burmese 1330 GMT 31 Jul 94

[Text] Miss Mariam Marshal Segal, chairperson of Peregrine Capital Myanmar [Burma] MMAI Limited [PCAMMAIL] called on Brigadier General Abel, managing director of the Economic Holdings Limited of the Union of Myanmar [EHLUM] and minister of national planning and economic development, at the Directorate of Investment and Company Administration's guest room at 0900 this morning.

It has been learned that a memorandum of understanding was signed to establish the Myanmar International Trust and Investment Corporation, MITIC, by the EHLUM and PCAMMAIL in the Union of Myanmar.

Brunei, Malaysia & Singapore

Malaysia

Mahathir on Latest U.S. Response to EAEC

BK3007134894 Kuala Lumpur BERNAMA in English 1045 GMT 30 Jul 94

[Text] Kuala Lumpur, July 30 (OANA-BERNAMA)—Malaysian Prime Minister Dr Mahathir Mohamed said Saturday, he considered the latest response from the United States to the East Asian Economic Caucus (EAEC) as better than the previous total rejection of the proposal.

He was asked to comment on a statement by US Assistant Secretary for East Asian and Pacific Affairs, Winston Lord, for more detailed information on the EAEC.

We are prepared to send an ASEAN delegation to explain the EAEC concept if the United States so requires, he told reporters here.

Dr Mahathir said he wished to know which area was still unclear to the Americans because Malaysia had explained the EAEC in detail and they still failed to understand.

Lord had made the statement at a news conference at the United States Embassy here yesterday at the end of two-day visit to Malaysia after attending the ASEAN Regional Forum (ARF) and the Post Ministerial Conferences (PMC) in Bangkok.

We have explained that the EAEC is not a trading bloc like NAFTA (North American Free Trade Agreement), it does not intend to obstruct trade, he said.

Dr Mahathir said that as such the United States could trade directly with Asia and that Malaysia had explained that the aim of the EAEC was to serve as a forum to discuss common problems.

Is it because we cannot (do it)? If so, is it because we are Asians or because it is contrary to human rights, or on what basis? he asked.

He said he believed that the EAEC concept will be eventually accepted.

Outcome of ASEAN Ministerial Meeting Viewed

BK3107130794 Kuala Lumpur Voice of Malaysia in English 0810 GMT 29 Jul 94

[Station commentary]

[Text] The 27th ASEAN Ministerial Meeting, AMM, has ended in Bangkok with the six ASEAN members having useful and wide ranging discussions with the foreign ministers or the representatives at the 18-member ASEAN Regional Forum, ARF, and concluded with a dialogue session at the Post Ministerial Conference, PMC.

Among the various political and security issues that came out for discussions at the PMC, one that occupied much attention was the question of linking environment and labor with trade. As was to be expected, there were differences of opinion between ASEAN and its dialogue partners over this matter.

Some Western nations do not seem to realize that imposing social clauses in trade arrangements and agreements will deprive the developing countries of the comparative advantage they enjoy in marketing their goods because their production costs are bound to increase. ASEAN countries feel that certain attitudes can only lead to a rise in protectionist tendencies. Fortunately, some developed countries have adopted a cooperative stance rather than a confrontational one in dealing with trade and nontrade issues with countries in this region.

ASEAN is one of the fastest growing markets in the world, practicing a market economy. The innovativeness and the competitive and cooperative spirit existing among countries have made the region an exciting prospect for businesses. Now is the best time to build on the liberalization game presented by the newly completed Uruguay Round under GATT. The Round, when implemented, will pump hundreds of billions of dollars into the world economy.

No one is disputing the fact that future economic development in all countries must take into account environmental and infrastructural and labor concerns. ASEAN, while affirming its commitment to the improvement of the economic and social well-being of workers, is concerned with the introduction of social clauses in international trade agreements as a condition for market access to developed countries because if these issues are improperly handled, it can result in trade restrictions rather than trade expansion. Anyway, why should trade relations be used to address such matters. Is it not better to tackle them outside trade negotiations?

ASEAN is currently in the process of establishing the ASEAN Free Trade Area, AFTA, which is among its primary economic concerns. It has already put in motion the Common Effective Preferential Tariff, or CEPT, the implementative mechanism that will function for 15 years before AFTA takes over. It should be a success and ASEAN hopes that due consideration is given to the interests of developing countries before linking trade with the environment and workers' rights. As the Thai foreign minister said in Bangkok this week, the creation of a better world, including promoting a peaceful and stable government conducive to economic growth and prosperity within the context of a multilateral dialogue, should be the goal of all nations.

Perak To Receive Taiwanese, Japanese Investments

BK3007135894 Kuala Lumpur Voice of Malaysia in English 0800 GMT 30 Jul 94

[Text] Perak is expected to receive an additional investment to the tune of 73 million ringgit from Taiwanese and Japanese companies in various industries, especially electronics and food-based industries. Chief Minister Tan Sri Ramli Ngah Talib, speaking to reporters upon his return last night from a five-day visit to the countries concerned, said that the industries were joint ventures between the subsidiaries of the state government and Japanese and Taiwanese companies.

Tan Sri Ramli disclosed besides processing, Perak was also confident of wooing investors from the two countries to invest in electronics, mineral, plastic, furniture, and textile industries.

Minister: No Action Against British Daily

BK2907131794 Kuala Lumpur NEW STRAITS TIMES in English 28 Jul 94 p 7

[Text] Kuala Lumpur, Wed.—The Government has decided not to take legal action against the FINANCIAL TIMES of London for publishing unfounded accusations against a Malaysian politician, Law Minister Datuk Syed Hamid Albar said today.

Syed Hamid said he brought the matter up at the cabinet meeting today and following discussions it was decided that it would be "an exercise in futility" to act against the paper.

The FINANCIAL TIMES had reported recently that Standard Chartered Plc was investigating the disappearance of gold coins which were allegedly given by its Mocatta bullion division to a Malaysian minister.

Last week, Youth and Sports Minister Abdul Ghani Othman said he had received a gold coin worth U.S.$10,000 (RM26,000) [Malaysian currency] from a representative of Mocotta at the end of 1991 and returned it after showing it to the relevant authorities.

Abdul Ghani, who was then Deputy Finance Minister, received the coin when he met a delegation from Hong Kong-based Mocotta together with some Finance Ministry officials.

He said he returned the coin to businessman Dr. Steven Goh who was attending the meeting. Goh later admitted he had received the coin but misplaced it.

Syed Hamid said,"We still feel there is some sort of campaign on the part of the British newspapers to tarnish the good name of Malaysia and its leaders by making all sorts of innuendoes and insinuations to give an impression that they are corrupt when it is not the case.

"In their case they can always say publishing such reports was a matter of public interest and based on newsworthiness.

"Even when they report the rebuttals or replies, there is an apparent slant or bias. There is nothing much we can do about it.

"So we have decided not to take action against the FINANCIAL TIMES as we do not think it will change their prejudiced stand against countries in this region," he told reporters after a post-Cabinet meeting at his office today.

He was commenting on the statement he had made earlier that he would be proposing to the Cabinet that action be taken against the FINANCIAL TIMES.

Syed Hamid said the Government did not want to prolong the matter and "we just want to consider the matter closed."

He hoped whatever reports the British newspapers wished to publish on another country especially Malaysia and its leaders, would be done with more responsibility.

"The truth is the only thing they should project..."

Asked whether the ban on British goods would continue in the light of irresponsible reporting by British newspapers, Syed Hamid said,"I do not wish to speak on the ban.

"However, let me put it this way. I think the position of the British newspapers does not seem to change.

"They are bent on disparaging Malaysia and its leaders. It is very condescending attitude—the way they look at countries in this part of the world. On our part, we will stand by the truth."

Defense Minister Views Arms Deals, Security

BK3007130794 Singapore THE SUNDAY TIMES in English 24 Jul 94 p 7

[Interview with Malaysian Defense Minister Datuk Sri Najib Tun Razak by Correspondent Ismail Kassim; place and date not given]

[Text] Under the watchful eyes of Defense Minister Datuk Sri Najib Tun Razak, the Malaysian Armed Forces [MAF] has been sharpening its teeth in recent years.

In the next few years, the MAF will take delivery of more sophisticated weapon systems, including the latest Russian MiG-29s, American FA-18D fighter planes and two Yarrow frigates.

In the pipeline are tanks, armoured vehicles, submarines, missiles, three dimensional defence radars and a new fleet of fast patrol boats.

But every time Malaysia signs an arms deal, Datuk Najib, one of the rising stars in the UMNO [United Malays National Organization] ruling party is quick to point out to the media that the proposed acquisitions are intended merely to keep the MAF up to date.

The publicly-stated objective of this move is to give the MAF a modest conventional arms capability to defend the country and its strategic Exclusive Economic Zone [EEZ].

This is a new role for the MAF. Formed in the colonial era, it had concentrated originally on fighting communist guerrillas in the jungles rather than preparing to meet an external threat.

The Asian Defence Journal reports that the MAF has 121,000 active personnel, excluding paramilitary forces such as Police Field Units and volunteer reservists.

Datuk Najib told Sunday Review that compared with other countries the region, Malaysia was a late starter and still had some catching up to do before it could consider itself able to fight a conventional battle.

In his opinion, no one should be alarmed at Malaysia's planned arms acquisitions. "A stronger Malaysia is stronger ASEAN," he said.

The army, in particular, has been getting more than just new firepower. It has gained invaluable field experience by joining United Nations troops in peace-keeping operations in such disparate, and often hostile, places as Namibia, Somalia and Bosnia.

Datuk Najib, who was elected a UMNO vice-president last year, was reluctant to take credit for the heightened vigour of the MAF.

He said his main contribution a Defence Minister in the last four years was to make defence an integral part of national development.

"I am pleased that recognition has been given. For Malaysia to develop, it has to be secure politically, culturally and militarily," he said.

Though the re-organisation of the MAF has been proceeding smoothly, Datuk Najib said recruiting the right talent had been a problem because of the immense opportunities in the booming private sector.

"I don't have an immediate answer yet. We are studying the problem and we will explore various possibilities," he said.

During the interview he gave to SUNDAY REVIEW last week, Datuk Najib also spoke about other security issues of concern to Malaysia. Here are excerpts from the interview.

[Ismail Kassim] To what extent has there been a shift in Malaysia's defence posture from defending the country to playing a role in regional defence?

[Datuk Najib] In terms of modern conventional warfare, there is a thin line between the two. The weapons used to defend forward areas could also be used for forward defence.

One must realise that Malaysia is the process of transition. A lot of of equipment is obsolete, antiquated.

But if you look at what we have spent in the last 20 years, it is much lower than many countries, including those in the region.

Like it or not, Malaysia has to modernise and we are acquiring new strategic assets that will enhance our performance. If we have to change, we might as well go for a quantum leap to improve our capability.

After all, we have the Exclusive Economic Zone to cover, Sabah and Sarawak. We are talking of a large body of water and land mass. People forget that Malaysia is essentially a two-theatre operation.

[Ismail Kassim] Of course, Malaysia also has border problems with all its five ASEAN neighbours and with China and Vietnam, too.

[Datuk Najib] These border disputes, including overlapping claims, will not undermine our bilateral relations. We will not allow it.

A clear case is our relations with the Philippines. Though they have not dropped their claim to Sabah from their Constitution, we are still moving ahead with closer bilateral ties, including military ones. We want to take more pragmatic and realistic attitude.

[Ismail Kassim] Is there any reason why you always keep emphasising that Malaysia is not engaged in an arms race? Has an country expressed any concern?

[Datuk Najib] It has been very much touted in the mass media. Despite our lengthy explanation, people seem to get the impression that there is an arms race.

Therefore, I have to keep reiterating that our added capability means we are contributing to regional security. A stronger Malaysia in military term means a stronger ASEAN.

[Ismail Kassim] If I may interrupt at this juncture. Other countries are also saying the same thing. Will it not lead to tension?

[Datuk Najib] I don't think so. The equipment we are getting is really quite modest. The MiG 29s and the F/A 18Ds don't really constitute a power projection.

If you look into what is required to embark on an imperial ambition, we are far away from having such a capability.

Don't forget that Malaysia has lagged behind for many years and we have not been complaining. Singapore, Indonesia and Thailand all have their F-16 jets.

Now that Malaysia is more affluent and is able to spend, why should other countries complain?

[Ismail Kassim] Has there been any formal complaint?

[Datuk Najib] No, there has been loose talk in magazines. We have not had any verbal statement by any leader from any ASEAN country expressing concern about our modernisation programme.

[Ismail Kassim] According to reports, modernisation of the MAF started years ago. To what extent have the original objectives been achieved?

[Datuk Najib] Well, we just started in 1990. We definitely need a long period before we can achieve a modest conventional capability.

[Ismail Kassim] So you are not even halfway there?

[Datuk Najib] No, it is a process which will be carried out in consonant with our affordability. Certainly, we do not want to jeopardise our socioeconomic growth.

So we will allocate a reasonable amount of money which will be spent progressively. We are in no hurry to achieve our ultimate objective.

[Ismail Kassim] What would you consider a good defence policy for a country like Malaysia?

[Datuk Najib] When you talk about conventional capability, you have to talk about a balanced force, among the three wings and within each service.

Aside from getting the right equipment, we also have to increase the capability of our personnel to operate the sophisticated electronics.

[Ismail Kassim] You were quoted in Parliament recently as saying that Malaysia had achieved equal standing militarily with other countries in the region. Was this a priority objective?

[Datuk Najib] No, it is not. We were not consciously trying to match the capabilities of our neighbours. Our planning was based on our requirements to defend effectively our strategic areas up to the 300 kms of our EEZ.

[Ismail Kassim] With respect to military cooperation with Singapore, do you expect any significant improvement in the near future?

[Datuk Najib] I would like to see improvement. But this has got to be something that both must consciously strive for, so that we are confident of each other's intention.

Perhaps, we should also be less sensitive about what happened in each other's country to make sure that there are no issues which could mar the improvement in our military cooperation.

I think there is still a lot of room for improvement. I am, in fact, currently exploring with my Singapore counterpart how this could be done.

One of the areas we are looking at is the development of our indigenous industrial military capabilities which can complement each other. But we have not concluded our discussions.

[Ismail Kassim] What level of confidence is necessary to achieve this kind of cooperation?

[Datuk Najib] Of course, we have to be less sensitive. For instance, if we hold a military exercise in Johor, there is no need for Singaporeans to be alarmed.

[Ismail Kassim] Is there a need for more confidence building measures? Singapore's then Prime Minister Lee Kuan Yew once suggested opening up each other's bases for inspection.

[Datuk Najib] I think there should be more transparency. On our part, we have been transparent in the development of our programmes, especially the acquisitions of our new assets. I think the public announcements we have made are quite sufficient.

But opening up of installations for inspections is sensitive. It goes against the grain of military culture, which is quite universal.

I think we should keep each other informed of our acquisitions. To me, it will go a long way in building up mutual confidence.

[Ismail Kassim] Do you think it is possible for countries in the region to reach an agreement on limiting the capabilities of their respective armed forces?

[Datuk Najib] No, I don't think so. We are quite comfortable with the present level as long as weapons of mass destruction are not acquired.

If you examine our military modernisation programme closely, you will see that it does not indicate any imperial ambition on our part.

[Ismail Kassim] How does Malaysia view Singapore troops training overseas?

[Datuk Najib] We welcome such initiatives on the part of Singapore. It means the burden of training is shared all round.

Singapore has its limitations. We quite understand why it needs to train in other countries. It is not something that causes us any problem or any sleepless nights.

[Ismail Kassim] You were quoted as saying there should be joint military exercises after the coming ASEAN Regional Forum [ARF] in Bangkok. Could you elaborate?

[Datuk Najib] No, I did not say that. I said that we are not going to present any formal proposal. We are happy with the present level and approach in terms of intra-ASEAN cooperation.

It is based on an elaborate network of bilateral ties. Within that framework, it can be further enhanced, deepened and upgraded. I think we should just continue on the same basis.

[Ismail Kassim] So you are not in favour of expanding the bilateral to trilateral cooperation?

[Datuk Najib] No, I think it should be bilateral because trilateral exercises can be a bit problematic. At the moment, there is no real need to make it trilateral.

But, of course, we do have the Five Power Defence Arrangement [FPDA] which brings Singapore, Malaysia and three others, New Zealand, Australia and Britain, together in exercises.

[Ismail Kassim] Is the FPDA in any danger of becoming anachronistic if the ASEAN Regional Forum takes off?

[Datuk Najib] No. I think it is a relevant security arrangement and all the parties concerned are still committed to it.

Any form of arrangement which provides us with a psychological and real deterrent will be useful for the region to maintain.

[Ismail Kassim] Some time ago, there was talk of Brunei coming in. Is there any development in this direction?

[Datuk Najib] I think the onus is very much on the Brunei side. We don't want to push them. At the same time, we like to see the group expanded to include Brunei.

It is up to them to decide on their own steam when they feel comfortable about it. Or even if they don't join, I don't think it is going to make much of a difference.

[Ismail Kassim] You were quoted in the United States as saying that ASEAN could defend itself and, as such, there was no need for an American physical presence in the region. Is this possible without a military pact?

[Datuk Najib] Let me put it this way. I talk about ASEAN being able to manage its own security because we stand by the principle of ZOPFAN, the Zone of Peace, Freedom and Neutrality, which to all intents and purposes has been achieved. As ZOPFAN has worked in ensuring peace and stability in the region, there is no reason for us to depart from its principles.

As far as the US role is concerned, it is clear. We can exercise with them. We can enjoy a mutually beneficial relationship, but certainly we should not be talking about physical bases.

In any case, the US is not looking for one. It has tremendous air and sea strategic capabilities. It can operate from faraway places such as Guam and Hawaii.

The most important thing is for America to inter-operate with ASEAN forces and that has been provided on a bilateral basis.

ASEAN doesn't need a military pact. ASEAN military forces are familiar with each other on a bilateral basis. To me, that's good enough.

Because when you have a pact, people will ask: Who is it directed at? So it raises a lot of questions. So rather than alarming anyone or sending a wrong signal, it is better for us to continue on the same basis because we have been so successful.

[Ismail Kassim] How do you like to see the ASEAN Regional Forum—comprising the six ASEAN countries, US, Canada, European Union, Japan, South Korea, Australia, New Zealand, China, Russia, Vietnam, Laos and Papua New Guinea—developing?

[Datuk Najib] I see the ARF as a process and we are at the starting point. I would like to see it moving at its own pace.

Mahathir: Foreign Workers Needed for Projects

BK3007094894 Kuala Lumpur BERITA HARIAN in Malay 25 Jul 94 p 1

[Text] Labuan, Sunday—Datuk Sri Dr. Mahathir Mohamed has said that efforts will be made to recruit foreign workers including professionals to overcome problems facing contractors and banks here.

Speaking at a news conference after a brief visit here, he said the construction of RM [Malaysian ringgit] 360 million worth of the financial park project had been delayed by two months due to a shortage of workers.

"I hope that there will be no further delay," he said. He added that not much progress had been made in the Hotel Faber Merlin construction project worth RM60 million.

The prime minister said that although Labuan has many foreign workers, it is necessary to recruit Filipino workers as recommended by former finance minister Tun Daim Zainuddin.

Daim, who chairs the Labuan Development Authority [LDA], expressed his concern over delays in construction projects, particularly the financial park which will become an offshore financial center.

Indonesian and Filipino workers are expected to make up one-third of Labuan's population of 60,000.

Dr. Mahathir also said that despite the sufficient number of professionals in Malaysia, most of them object to coming to Labuan. They must be encouraged to do so.

The prime minister, however, was happy over the progress of the construction of RM120 million Labuan Marine Center and the Papan Island Agricultural Park.

The first phase of the marine center equipped with 100 rooms and 53 jetties is scheduled to open in December.

Singapore

Importance of ASEAN Regional Forum Viewed

BK2907125494 Singapore THE STRAITS TIMES in English 28 Jul 94 p 28

[Editorial: "ARF Locks In The Peace"]

[Text] Formalisation of the ASEAN Regional Forum [ARF] security arrangement in Bangkok last Monday brings promise that peaceable conditions in Asia, which the United States has underwritten since the end of the last war, can be better guaranteed. While America's commitment to having troops and bases in the region is subject to congressional fickleness and the country's changing foreign policy goals, the ARF faces no such uncertainty. It has been institutionalised with an annual ministerial conference. It will be a reference point in the Pacific's diplomatic landscape. Everybody who has a stake in, or wants a part of, Asia's vast potential will feel better for having it. A Canadian official at the meeting captured the essence of what this development meant when he said: "We are going to solve problems through dialogue and not put out the gunboats." The hidden warning is apt, even if not intended by the speaker. There is no certainty that a modern derivative of gunboat diplomacy would not again raise tensions in the Spratlys, just one of the conflict zones which have made the ARF necessary. The Korean peninsula, renewed fighting in Cambodia and the peculiar problem of Myanmar's [Burma] political reawakening are going to be stern tests for the forum.

Of course, it is unrealistic to ascribe an omnipotence to the ARF at this early stage, or at any time in the future. It will remain for some time more of a multifarious hotline system for quick damage-control. It is nowhere near as comprehensive as the European CSCE (Conference on Security and Cooperation in Europe) security network which also has US and Japanese participation, nor would it in the foreseeable future have a deterrent military capability, such as Nato. But it has the US, China and Japan among its 18 members. This is its innate strength and usefulness. Unless experts and governments are wrong, these are the countries which will be dominating the geopolitics of the new century. They will have the most firepower and guide the world's commerce and diplomatic moves. With the triumvirate at the same table as modest-to-emergent Asian nations, Australasia and Europe, this half of the world would carry enough of the wherewithal to circumvent the United Nations in resolving conflicts.

What all that means is that a Pax Pacifica is closer to fulfilment. On the one hand, the Asia Pacific Economic Cooperation forum, with roughly the same membership but without the European Union, bids fair to providing the framework for orderly trade and economic expansion in the region. On the other, the ARF should lock in place the sustained peace crucial for the manufacturers, service providers and mercantilists to generate ever more wealth throughout both sides of the Pacific. It is a pleasing confluence of needs.

But, as tacitly acknowledged by the more cautious of the members, the ARF is not going to be plain sailing. It is more potential than proven quality. This is apparent in the difference of approach the US and Australia want the ARF to move quickly to action stations to upgrade regional security, as opposed to the Asian view that a comfort level be established first among ideologically disparate members. Further evidence comes in the clutch of proposals described, unfortunately but candidly, as confidence-building measures. There are impediments. China has already shown itself to be evasive over proposals to exchange defence white papers and open an arms register to include disclosure of procurements and expenditures. Other suggestions—the long-standing one to make South-east Asia a zone of peace, freedom and neutrality, joint manouevres, exchange of military observers, starting a training centre for peacekeeping operations—are not as contentious. While a forced pace is not recommended for a nascent movement, neither is it helpful to be too cautious, as a number of Asian nations are culturally inclined to. The ARF has to proceed beyond statements of intent when the ministers meet in Brunei next year.

Minister has 'No Plan' To Bid for UN Seat

BK2907153494 Singapore Singapore Broadcasting Corporation in English 1400 GMT 29 Jul 94

[Text] Foreign Minister Professor S. Jayakumar says Singapore currently has no plan to bid for a seat on the UN Security Council. He was responding to a suggestion made by New Zealand Deputy Prime Minister Donald McKinnon. Mr. McKinnon has said he strongly recommends that Singapore seek a seat on the Security Council to represent another view from the Asia-Pacific.

In response, Prof. Jayakumar said Singapore can be a bridge for New Zealand in its quest to play a greater role in the Asia-Pacific region. The two ministers were speaking at the opening of the New Zealand High Commission's new premises.

Cambodia

Minister Prefers Aid to U.S. Investigation

BK3107125394 Hong Kong AFP in English 0401 GMT 31 Jul 94

[Text] PHNOM PENH, July 30 (AFP)—The US State Department's appointment of a diplomat to head an investigation into the genocide under the Khmer Rouge's rule has received mixed reactions in Cambodia.

"If there is an investigation we will co-operate with that, but I am not aware of the appointment," Interior Minister Yu Hokkri told AFP.

The State Department has named career diplomat Alphonse La Porta as head of the Office of Cambodian Genocide Investigation to be based in Washington.

When the office was established in June, Cambodian Foreign Minister and deputy premier Prince Norodom Sirivut said economic development was a greater priority for his country.

"Let intellectuals talk about a commission on genocide. I invite the United States to provide economic assistance to Cambodia," he said.

Prince Sirivut added that he believed Cambodians were more concerned with "the price of a kilo of rice than a tribunal to judge Pol Pot"—the notorious Khmer Rouge leader whose disastrous rule saw the death of around one million Cambodians.

However, members of the Cambodian People's Party (CPP), the second largest in the three party coalition, welcomed the new office.

"This office will develop the documentation needed for the prosecution of these criminals," party chairman and acting head of state Chea Sim said.

Under the authorisation bill signed by President Bill Clinton, 400,000 dollars is provided annually in 1994 and 1995 for the genocide office, which will submit its findings to the Cambodian government and possibly an international tribunal.

However some analysts believe the US government is trying to play down the investigation.

A US embassy official in Phnom Penh denied any knowledge of La Porta's appointment.

"We have not been involved and have not received any word about the appointment, so I cannot tell you if the embassy will have any role in investigations," he said.

La Porta is not one of the State Department's highly-regarded Cambodia experts. The new office has only one staff member and investigations in Cambodia will be contracted to non-government organisations.

Observers in Washington said a detailed investigation would upset the fragile Cambodian government and the United States, especially because of the past US support to the anti-Vietnamese coalition that included the Khmer Rouge.

The question of genocide was also a sensitive issue for Washington, one observer said.

"The whole question of genocide—the 'G' word—tends to make people over there (the State Department) very nervous. Many have accused us (the United States) of genocide," one American observer told AFP in Washington.

Pol Pot and his right hand man Ieng Sari were tried in absentia in the early 1980s on genocide charges after a Vietnam installed regime took over in Phnom Penh. They were sentenced to death but Pol Pot is now thought to live in a jungle base on the Thai border.

Minister on Money Laundering in Phnom Penh

BK3107125894 Hong Kong AFP in English 0249 GMT 31 Jul 94

[by David Botbol]

[Text] PHNOM PENH, July 31 (AFP)—Shady deals and money-laundering are rife among banks that have rushed to open in Cambodia despite the country's moribund economy, according to Finance Minister Sam Rangsi.

There is no mystery behind the country's booming banking sector which has seen some 30 new banks established over the past three years, according to Sam Rangsi.

"About a dozen of the banks are serious and another dozen are fronts for illicit operations," Rangsi said.

The finance minister told AFP that he believed several of Cambodia's new banks were involved in laundering "black money from the drugs trade, arms trafficking and other illegal activities," estimating that the sums transacted were worth "tens of millions of dollars."

"In a country where the laws are just being made, money comes in and goes out easily," he said.

"Cambodia attracts establishments that would not be called banks anywhere else," he added.

The country currently has 28 banks, many created by joint ventures with Asian partners, especially from Thailand. There is also a single western bank branch. All banks were issued operating licences by the previous government between 1991 and the UN- sponsored elections in May 1993, according to Central Bank vice governor Chulong Somura.

Laundering of money from the drugs trade in the Golden Triangle—straddling the borders between Laos, Burma and Thailand—is done primarily through fake property deals in Phnom Penh.

Legal activities carried out by the banks are limited to import-export transactions and a few actual loans and deposits done with wariness by both parties, a banker said.

Rangsi denounced "several drug lords who operate here under the guise of respectability but are well known to international police".

The people involved are "foreign traffickers who have double and triple citizenship," said Rangsi, adding that action must be taken "before the mafia becomes entrenched like in Italy."

Western sources said they believed most of the money laundering was being done by Thais and Chinese from Hong Kong, taking advantage of the lack of law enforcement and judicial bodies in Cambodia.

Rangsi, who is known here as a man of integrity, said he wants to fight the criminals on two fronts, targetting the drugs trade and the money laundering operations "with cooperation from police and monetary authorities in the region."

In the drugs trade, according to the minister, "Cambodia and Laos are the soft underbelly of the region while Thailand has become more vigilant."

American drugs enforcement agents have gone to Cambodia to train customs officers and Interpol will reopen its Phnom Penh office by the end of the year, a western source said.

Bringing Cambodia back into the international law enforcement network would provide essential information links in the global fight against drugs, the source added.

Meanwhile, the Central Bank is helping prepare a bill aimed at regulating the banking sector, with special attention to money laundering operations.

The new law will reinforce licence regulations and Central Bank powers to monitor bank activities and books.

Officials admit it will not be enough to stop illegal dealings, but hope it will be a first step to closing the legal loopholes that have drawn in shady financiers.

Planned Talks With SRV Called 'Farce'

BK3007142994 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 2330 GMT 29 Jul 94

["Communique of the Spokesman of the Foreign Ministry of the Provisional Government of National Union and National Salvation Exposing and Condemning the Maneuver of Communist Vietnam to Legitimize the Annexation of Cambodian Territory and the Dispatch of Vietnamese Nationals to Cambodia through the so-called Talks Between its Foreign Minister and the Two-headed Government;" dated 29 July—read by announcer]

[Text] I. There have been reports that soon there will be a meeting in Ho Chi Minh City, Vietnam, between the Vietnamese Foreign Minister Nguyen Manh Cam and representatives of the two-headed government on the so-called talks about the border issue and about Vietnamese nationals in Cambodia.

II. People know that 99 percent of the state authority of the two-headed government—the Assembly, the government, the army, and police—belong to communist Vietnam. In rural areas, this is 100 percent. The two-headed government is only a fascist instrument to continue to fuel the war of the communist Vietnamese in order to:

1. Provide the opportunity for communist Vietnam to send its nationals to annex Cambodia at will through every road and pass. There are four million Vietnamese so far.

2. Provide the opportunity for communist Vietnam to annex at will Cambodia's land, sea, and islands in the east. Tens of thousands of square kilometers have so far been annexed.

3. In such a situation, how can the two-headed government hold talks with communist Vietnam about the Cambodian-Vietnamese border and Vietnamese in Cambodia?

Thus, the so-called talks are just a farce staged by communist Vietnam to legitimize the annexation of Cambodia's land, sea, and islands and the dispatch of Vietnamese to kill the Cambodian nation, people, and race. The annexation of terrritory and dispatch of Vietnamese are already taking place.

4. Cambodia's independence, sovereignty, and territorial integrity between 1963 and 1969 were officiallly and solemnly recognized by the international community. The Paris agreement also clearly says that Cambodia's independence, sovereignty, and territorial integrity, recognized by the international community between 1963 and 1969, should be respected.

The communist Vietnamese and their puppets have no right to revise this agreement. There is nothing to discuss about Cambodia's independence, sovereignty, and territorial integrity, which have been clearly recognized by the international community. Even Communist Vietnam officially recognized it in 1967.

5. The Cambodian nation and people and the Provisional Government of National Union and National Salvation [PGNUNS] reject in advance and consider null and void all resolutions to be adopted at the meeting in Ho Chi Minh City, Vietnam, that affect Cambodia's independence, sovereignty, and territorial integrity.

The PGNUNS declares that the communist Vietnamese and their puppets are fully responsible for whatever they do that affects Cambodia's independence, sovereignty, and territorial integrity.

The PGNUNS's Foreign Ministry spokesman appeals to peace- and justice-loving countries the world over, particularly in the region, to follow this issue. This is to prevent the communist Vietnamese from maneuvering to legitimize the dispatch of Vietnamese to annex Cambodia and its land, sea, and islands at will through what they call the coming talks in Ho Chi Minh City. All this not only tramples upon international law, the UN Charter, human rights, and right to self-determination but also kills the Cambodian nation, people, and race. It is a threat to security and stability in the entire region.

[Dated] 29 July 1994

[Signed] The Spokesman of the PGNUNS's Foreign Ministry

Sirivut To Visit SRV for Talks on Border

BK3107153894 Phnom Penh REAKSMEI KAMPUCHEA in Cambodian 31 Jul 94 pp 1, 11

[Text] Prince Kromkhun Norodom Sirivut, Cambodian deputy prime minister and minister of foreign affairs, who has just returned from attending the 27th ASEAN annual meeting Bangkok as a special guest, is expected to lead two delegations shortly to Ho Chi Minh City, Vietnam.

A Foreign Ministry official has disclosed that one delegation will focus talks on the issues of disputed land and maritime borders of Cambodia and Vietnam. The other delegation will raise the issue of Vietnamese settlers in Cambodia. The two issues will be discussed during the visit to Ho Chi Minh City.

Prince Kromkhun Norodom Sirivut said on Wednesday that he is only waiting for the immigration law, which is to be debated and adopted by the National Assembly at a session planned for 3 August. The Cambodian Foreign Minister added: "I will ask the National Assembly to speed up the adoption of this law because it is imperative."

Concerning the aims of the visit to Ho Chi Minh City, Prince Kromkhun said: "I do need the immigration law first before going to Vietnam because that would give me a strong basis for discussing the issues."

Prince Kromkhun said Second Prime Minister Samdech Hun Sen, who has experience in border talks with Vietnam, may lead this visit.

Cambodia and Vietnam have long-standing border and Vietnamese settlers problems that have not yet been resolved. It is expected that once the immigration law has been adopted, Cambodia will have sufficient grounds for a legal solution with the law giving clear guarantees.

Article 2 of the Kingdom of Cambodia's constitution states that "the territorial integrity of the Kingdom of Cambodia within its border, as marked on 1/100,000 maps produced between 1933 and 1953 and internationally recognized between 1963 and 1969, cannot be violated absolutely."

Continued Reportage on KR Train Attack

Train Attack Condemned

BK3007132194 Phnom Penh AKP in English 1100 GMT 30 Jul 94

[Text] Phnom Penh AKP July 30—A passenger train running from Phnom Penh to Sihanoukville was attacked on Tuesday by Khmer Rouge [KR] rebels who detonated two mines to derail the train some 130 km south of the capital.

After explosion, the Khmer Rouge started to open fire, killing nine passengers including four women, three train militiamen and one soldier of the Khmer Royal Army.

The rebels then marched some 300 passengers including three Westerners off into the jungle. The fate of the captive are [as received] not known.

It is the barbarous attack by the Khmer Rouge rebels who continue to commit destruction to the nation after they were outlawed and after they declared the formation of the so-called ghost government of "provisional, national union and salvation."

Also last week, the Khmer Rouge bandits stormed a number of areas in the provinces of Preah Vihear, Banteay Meanchey and Battambang burning down the villagers houses and cutting off roads.

The barbarous act to destabilize the country and jeopardize the safety of the people obstructing their national reconstruction is the only policy of the ghost provisional government of the bandits.

The Cambodian people who already suffered and are being subsequently suffered [as received] from the barbarous moves of the Khmer Rouge bandits categorically condemn the Khmer Rouge barbarous acts of national destruction and call on all circles who previously assisted the rebels to immediately put an end to their support so as the Cambodian people have chance to reconstruct their country.

KR Sets Ransom

BK3107104194 Hong Kong AFP in English 1026 GMT 31 Jul 94

[Text] PHNOM PENH, July 31 (AFP)—The Khmer Rouge [KR] has demanded a 50,000 dollar ransom in gold for three westerners seized in a train ambush in southern Cambodia last week, co-premier Prince Ranariddh said Sunday.

One of the hostages, Australian David Wilson, wrote a letter saying the trio were well and setting out the ransom demand.

"I can just say they are safe. We got a hand-written letter which says they are alive," Prince Ranariddh told AFP at his residence, showing the three-page handwritten letter with a photograph of Australian David Wilson attached.

"The Khmer Rouge ask for 100 damlung of gold for the release of the three hostages," the prince said.

One damlung of gold is worth about 500 US dollars.

Prince Ranariddh did not say whether the ransom would be paid but said the government's priority was for the prompt safe release of the three tourists.

Wilson, 29, together with Briton Mark Slater, 28 and Frenchman Jean Marie Braquet were kidnapped July 26 after a Khmer Rouge attack on a train in the southern province of Kampot.

The guerrillas killed 13 people—five soldiers, two train militia and six civilians—in the attack, police said. Three ethnic Vietnamese were also kidnapped by the guerrillas but were feared killed.

The Khmer Rouge detained some 200 Cambodian passengers but all were subsequently released, police in the capital said quoting a report from the Kampot governor.

Hostages Put To Work

BK0108082294 Hong Kong AFP in English 0800 GMT 1 Aug 94

[By Kevin Barrington]

[Excerpts] Phnom Penh, Aug 1 (AFP)—Khmer Rouge guerrillas have put three foreign hostages to work in the paddy fields while they await a response to a ransom demand of 50,000 US dollars in gold for each hostage, a senior police officer Monday.

"The Khmer Rouge have made them work hard digging the paddy fields. Their hands were sore because they were not used to this work," the police officer said.

The police had received the information about the hostages from local people used as intermediaries between the authorities and the guerrillas, the officer said.

The three, Australian David Wilson, 29, Mark Slater, 28, from Britain, and Frenchman Jean-Michel Braquet, 27, were seized in a train ambush in southern Kampot Province last week.

They are being detained at the jungle headquarters of Khmer Rouge Commander Paet at Phnom Vour near the scene of the ambush. [passage omitted covered by referent two]

The respective Western embassies here have refused to comment on the ransom or anything about the case.

But government officials said the embassies were against paying a ransom in the case of Australian and two Britons who were kidnapped by suspected Khmer Rouge guerrillas in April on the main road to Sihanoukville in the neighbouring Koh Kong province.

Forensic tests are currently being carried out on human remains that are suspected to be those of Kellie Wilkinson and Britons Dominic Chappell and Tina Dominy.

A Foreign Affairs spokesman in Australia said Canberra would not concede to direct demands for a cash ransom but added: "There are other ways that this whole problem can be looked at and we are certainly doing that."

"No government can give in to those kind of direct ransom demands for cash in return for citizens because it puts the lives of other citizens at risk, be it in a plane hijacking or whatever."

But he said as in the case of US aid worker Melissa Himes, who was kidnapped and released by the same group of Khmer Rouge guerrillas, "you look at the kind of problems these people have and ways in which they can be solved, aid packages and that kind of thing, to help them out."

Food for the Hungry International (FHI) refused to meet demands for cash for the release of their aid worker.

Himes, however, was freed after six months of lengthy negotiations when FHI agreed to a guerrilla ransom of food, rice and tools.

The Australian spokesman said similar aid could be given in this case and while it could be used by the Khmer Rouge "it's not necessarily direct aid to them."

Prince Norodom Ranariddh said he held out some hope for a negotiated settlement as the authorities had established links with the captors during Himes' case.

"We already have connections with that group. We will try to send messages to the Khmer Rouge to convince them they have to release those hostages," the prince said.

Police General Lora Min earlier said that he did not believe Khmer Rouge Commander Paet would kill the three if "he can do business."

Despite the recent series of abductions, Prince Ranariddh said he did not think that the Khmer Rouge were deliberately seeking to kidnap foreigners, the abductions were merely a case of people being in the wrong place at the wrong time.

Ranariddh Criticizes Thailand for Opposing Aid

BK0108110694 Hong Kong AFP in English 1028 GMT 1 Aug 94

[Text] Phnom Penh, Aug 1 (AFP)—Co-premier Prince Norodom Ranariddh has strongly criticised Thailand for lobbying against international military aid to the Cambodian armed forces to help them in their fight against the Khmer Rouge.

"I have nothing to say about the decision of Thailand not to provide military aid to Cambodia but what I cannot accept is that Thailand lobbies all around the world against military aid," the prince told reporters late Sunday.

He was speaking during a visit to southern Kampot province where Khmer Rouge guerrillas are holding three Westerners hostage following a train attack in which some 10 people were killed and many others wounded.

Following a series of recent battlefield setbacks, the Cambodian government has sent requests to Asian and Western countries seeking military aid.

Thailand has repeatedly voiced opposition to the request, saying that military aid was likely to aggravate the fighting, which could spill over into Thailand or send Cambodian refugees fleeing across the Thai border.

The prince said he respected the Thai refusal to provide military aid, but accused Bangkok of directly "interfering in Cambodian internal affairs" by saying that other countries should also not provide aid.

"It is not acceptable for Thailand to lobby like this," he said. "If Thailand does so, it shows that Thailand continues to support the Khmer Rouge."

Relations between the two neighbouring kingdoms have often been tense and wars of words have frequently erupted over Phnom Penh's allegations of Thai support for the guerrillas.

The prince also said that in order to improve relations between the two countries, "we should stop interfering in each other's internal affairs."

Prince Ranariddh and fellow co-premier Hun Sen recently wrote to US President Bill Clinton requesting the despatch of a military delegation here to assess how Washington could best help Phnom Penh fight the Khmer Rouge.

The US is already providing non-lethal aid to the army to assist in demining and road construction.

The United States has been reluctant to provide weapons to Cambodia, but has not ruled out the possibility of military aid in the future.

The government has said that the recent train attack and the abduction of the foreigners further justified the request for military assistance.

Philippines

U.S. Missionary Wounded in Kidnap Attempt

BK0108072594 Hong Kong AFP in English 0602 GMT 1 Aug 94

[Text] Cotabato, Philippines, Aug 1 (AFP)—Joint military, police and Muslim guerrilla forces were in a gun battle in the southern island of Jolo on Monday against Muslim extremists who tried to kidnap an American missionary, a priest in the area said.

Brother Gonnie Bongao of the Oblates of Mary Immaculate (OMI) told AFP by radio that bursts of gunfire could be heard four kilometers (2.5 miles) from downtown Jolo.

Father Clarence Bertelsman, 69, of Lebanon, Illinois, was airlifted to the regional capital, Zamboanga City, from Jolo for gunshot wounds he sustained in his rescue from the hands of the Abu Sayyaf, officials said.

Bertelsman, an OMI missionary, was kidnapped by Abu Sayyaf gunmen masquerading as policemen while he celebrated mass at a police camp in Jolo on Sunday. He was rescued by a combined force of marines and Moro National Liberation Front (MNLF) guerrillas an hour after.

Bongao also reported that the OMI congregation was meeting this afternoon to prepare contingency plans but said there were no indications the congregation was pulling out of Jolo.

"The incident is very unfortunate for us," he said. "However, we will go on with our mission."

He added that the primary target of the Abu Sayyaf rebels was Benjamin de Jesus, the Filipino bishop of Jolo, and that Catholic priests in Jolo have been receiving kidnap and death threats.

De Jesus has suspended all classes in the OMI-run schools in Jolo, and religious Catholic leaders have been advised to stay inside their convents, according to Bongao.

He said Bertelsman was expected to be airlifted from Zamboanga to Manila to be treated for wounds in the left arm and the rectal area which he sustained during the rescue.

However, Air Force spokesmen in Manila said the wounded priest was not aboard a military troop transport which took off from Zamboanga around noon.

Chinese Arms Said Smuggled Into Sri Lanka

BK3107090294 Colombo Sri Lanka Broadcasting Corporation International Service in English 1045 GMT 30 Jul 94

[Text] The Philippine Armed Forces are investigating intelligence reports that the country's south is being used as a trans-shipment point to smuggle Chinese made firearms to Sri Lanka. The weapons are believed to be destined for use by the Liberation Tigers of Tamil Eelam, LTTE, guerrillas based in northern Sri Lanka. Military investigators are also looking into intelligence reports that the Tamil rebels have been providing combat training to guerrillas operating in the southern Philippines. Manila's sources said military intelligence has established that the Tigers use a Sri Lankan gang which bought firearms from China. The ammunition are shipped to the southern Philippines and then shipped to the Indian Ocean. The sources quoted a military intelligence report as saying that when the ship reaches Sri Lankan territorial waters, several motor boats will pick up the high-powered firearms placed in a sealed box and deliver them to a place where Tamil Tiger rebels are waiting.

Government Concerned Over Mexico's Import Rule

BK2907130094 Manila MANILA BULLETIN in English 26 Jul 94 p B-1

[Text] The Philippine Government has raised serious concern on the possible impairment of the flow of certain exports to Mexico under a new "rules of origin" covering its imports.

The Department of Trade and Industry (DTI), echoing the apprehension of importers' of Philippine products on what they claimed as "cumbersome" procedures requiring certificates of origin from all exporting countries to Mexico effective 1 September 1994.

Non-compliance of exporting countries to the new requirement would subject them to countervailing duties, which is contrary to the provisions of the General Agreement on Tariffs and Trade (GATT), the DTI said.

Importers of Philippine products, however, claimed that this could affect the country's shipments to the Mexican market, which last year stood at $35 million. These include major export products such as garments, electronics, footwear, gifts, toys and housewares, and other consumer goods.

The new rules would be put in place to prevent exporting countries from circumventing Mexico's anti-dumping and countervailing orders covering a number of products. Although the required certificate of origin would further cover identical or similar goods even if these are not currently subject to countervailing duties.

The required certificate of origin essentially contains a detailed documentation of the name of the exporter, the producer, the importer, the harmonized system (tariff) classification, the description of every article of merchandise and its foreign material, the invoice, the declaration and signature including the seal of the country of origin of the goods, among others.

Importers, however, perceived that this was another form of non- tariff barrier slapped by Mexico, which is the main gateway of exporting countries to the so-called North American Free Trade Area (NAFTA).

Feedback from U.S. importers of Philippine products revealed that this would be burdensome and that this would pose a problem for them since they frequently mix their importation of goods destined for both the United States and Mexico.

Before they can ship their imported goods to Mexico, they have to apply a certificate of origin from the Philippines.

Government Identifies Potential Growth Areas

BK2907130394 Manila BUSINESS WORLD in English 27 Jul 94 pp 1, 6

[Report by Ramoncito P. de la Cruz]

[Text] Six areas have been identified as having the potential to further accelerate the growth momentum of the domestic economy in the first quarter. These are the Northwestern Luzon Growth Quadrangle, Subic Freeport Zone, Clark Special Economic Zone, Pavia in Iloilo, Siquijor, and Mindanao.

This was the consensus of the different regional development councils (RDCs) as they examined the economic contribution of each region to the 3.8 percent expansion of gross domestic product during the first quarter.

This concensus is embodied in a draft report entitled "First Quarter 1994: Regional Economic Situationer" to be submitted by the National Economic and Development Authority (NEDA) to the cabinet next week. A copy was furnished BUSINESS WORLD.

Based on the report, several factors are expected to play significant roles in sustaining the growth trajectory. "The optimism is largely based on the country's adequate power supply, favorable climatic condition which will improve agricultural production, stable peace and order situation, good prospects in the local and world market and the active involvement of all sectors, especially the business community," the report stated.

(The outlook was echoed yesterday by NEDA Director General Cielito Habito as he stressed that the economic performance in the second quarter will exceed that of the first quarter.)

However, the report also pointed out that the implementation of the expanded value-added tax (VAT) may result in higher inflation and, consequently, lead to "adverse effects on the business sector in their regions."

As for the six specific growth areas, the regional development councils cited the following reasons for their choices:

—the implementation of more infrastructure projects like the Laoag-Allapacan Road and other off site infrastructure development in support of the regional agro-industrial centers will propel the growth of the Northwestern Luzon Growth Quadrangle consisting of the provinces of La Union, Pangasinan, Ilocos, and the city of Baguio;

—the domestic tourism and the liberalization of foreign banks and investments for the Subic Freeport Zone and Clark Special Economic Zone;

—the development of the areas around the Iloilo International Port Complex—specifically the expansion of domestic and foreign markets on king crabs and seaweeds—is expected to boost the regional agri-industrial center in Pavia, Iloilo;

—the direct dialing telephone system and the opening of the Boljoon-Siquijor vessel route is expected to improve the business opportunities in Siquijor; and,

—the increased investments resulting from the promotion of the Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP- EAGA), including the conduct of more trade missions and establishment of stronger trade linkages with the member countries are expected to work wonders for Mindanao's economy.

Policy Concerns

In the same report, the regional development councils—which are composed of regional economic and political organizations as well as nongovernment and people's organizations—cited several policy concerns which they hope the national government will address in order to sustain their performances. These include:

—suspension of the implementation of the expanded VAT until an in-depth review of its effect on consumers has been made and appropriate safety nets are in place;

—exclusion of agricultural cooperatives in the new VAT law;

—making commercial loan rates more supportive of small and medium-scale business expansions;

—lowering freight costs and construct more post-harvest facilities to help businessmen engaged in agriculture-based industries;

—extension of privileges of BoI [Board of Investments]-registered firms for duty-free importation of capital equipment beyond December 1994; and,

—addressing problems in the mining sector arising from the implementation of the Local Government Code such as delay in processing of permit applications, improper implementation of mining laws, and illegal extraction.

Thailand

Continued Reportage on U.S., Thai Visa Issue

Envoy Challenged To Waive Immunity

BK3007125494 Bangkok THE NATION in English 30 Jul 94 pp A1, A4

[Text] Chat Thai deputy leader Watthana Atsawahem yesterday challenged the U.S. ambassador to Thailand and the director of the United States Information Service (USIS) to waive their diplomatic immunity and fight him in court over drug trafficking allegations.

The embattled Watthana, in a written response to Foreign Minister Prasong Sunsiri's revelation of his alleged involvement in drug trafficking during Thursday's closed-door meeting in Parliament, said the U.S. officials concerned should come up with clear evidence to back the charges they had leveled against him.

Watthana said he has already filed defamation suits against the U.S. ambassador to Thailand and the director of the United States Information Service.

"If the U.S. officials concerned have enough evidence to back their charges against me, then they should waive their diplomatic immunity to fight the case with me in court," he said.

He said the "hit and run" tactic was not fair.

"The hit and run tactic is not the way civilized people should use to attack others," he said.

Commenting on the closed-door meeting requested by Prasong, he said the foreign minister had ill-intentions toward him and wanted to ruin his reputation in the eyes of the public.

"I don't see any reason for Prasong to ask Parliament President Marut Bunnak to conduct a closed door meeting. Prasong wants to ruin my prestige and tarnish my reputation in the eyes of the public," he said.

Watthana said the foreign minister also aimed at tarnishing the image of the Chat Thai Party.

"If Prasong is really a good politician, he doesn't have to ask for the closed-door meeting. He doesn't have any evidence against me, except for a few pieces of U.S. papers," he said.

He said Prasong should have examined the papers before revealing it against a fellow Thai MP.

On the U.S. letter revealed by Prasong during the closed-door meeting, the Samut Prakan MP said the letter did not show any evidence, nor did it bear the signatures of any of the authorized U.S. officials.

He said if he was really in the wrong, the U.S. authorities could have arrested him during his three visits to the country.

"If I've done wrong as alleged by the U.S., I may have been in jail during my three visits to the country," he said.

Watthana said he was also granted a permanent visa to the U.S.

An official from the Justice Ministry yesterday confirmed that according to the 1984 diplomatic immunity act, diplomats and assets in the boundary of foreign embassies have immunity against legal action.

The official, who asked not to be named, said Watthana could not take legal action against the U.S. embassy officials unless they agreed to waive their diplomatic immunity.

However, the Justice Ministry would send a letter to the U.S. embassy officials through the Foreign Ministry to ask if the officials would agree to waive their immunity.

According to the regulations on the waiving of diplomatic immunity, the diplomats could choose to go to court for selected trials or every trial.

Foreign Minister Prasong, in his response to Watthana, said he has done his duty to the best of his ability and Watthana should, thus, not sue him in court.

He said the U.S. letter was stamped by the U.S. embassy, thus "it is legal and trustworthy enough".

He said he had to reveal the contents of the letter because Watthana had earlier asked him to come up with evidence relating to his drug scandal.

The minister said after receiving the vote of confidence that he did not think Watthana would be able to sue him in court as he had parliamentary immunity.

"I've done everything according to Watthana's request (to see the evidence), thus I don't think I will be sued," he said.

Chat Thai leader Banhan Sinlapa-acha said Prime Minister Chuan Likphai instructed all MPs to keep the details of the closed-door meeting secret but he did not know how all newspapers could publicize such a story about Watthana.

He criticized Prasong for raising the drug issue in Parliament.

"The US letter is only an allegation without substantial evidence. The foreign minister should not believe what the U.S. said outright," he said.

Asked if Prasong had aimed to destroy the reputation of his party, Banhan said his party's reputation could not be easily ruined.

Court Told It Cannot Accept Suit

BK3007125994 Bangkok BANGKOK POST in English 30 Jul 94 p 2

[Text] The Justice Ministry has informed the Criminal Court it cannot accept a defamation suit against U.S. Ambassador David Lambertson and U.S. Information Service chief John Reed for consideration because the two are covered by diplomatic immunity.

The Criminal Court sought an interpretation whether the case could go ahead after Chat Thai Party deputy leader Watthana Atsawahem lodged a lawsuit against the two diplomats for alleged defamation.

Mr Watthana claimed in his lawsuit that Mr Lambertson and Mr Reed had defamed him by releasing a statement earlier this month accusing him of being suspected of involvement with "prohibited substances". The suspicions led to Mr Watthana being denied entry to the U.S.

The Justice Ministry's Technical Department informed the Criminal Court in a letter yesterday that Mr Lambertson and Mr Reed were protected under a 1984 law which grants them diplomatic immunity and protects them from any legal prosecution.

Ministry sources said both Mr Lambertson and Mr Reed could be prosecuted under Thai law only if they agree to surrender their diplomatic rights.

The ministry will ask the two through the Foreign Ministry if they would be willing to surrender this right.

ASEAN Urged To Force Suu Kyi's Release

BK3007135494 Bangkok THE NATION in English 30 Jul 94 p A6

[Editorial: "Suu Kyi's Release Must Be Top Priority For ASEAN"]

[Text] While Prime Minister Chuan Likphai was applauded by the press earlier this week for telling visiting Burmese Foreign Minister Ohn Gyaw that the problem of Aung San Suu Kyi must be solved before "all else", Deputy Foreign Minister Surin Phitsuwan later implied the premier was misquoted.

Surin, speaking after Asean's session with its seven dialogue partners, said Thailand and the other Asean countries had stated they want Suu Kyi released, "but it is not a priority."

This totally contradicts what Government Spokesman Aphisit Wetchachiwa told the press on Monday.

"The prime minister said if Burma could solve the problem of Aung San Suu Kyi first, other problems would be solved more easily. Burma would have time to solve other problems, including those of democracy development, the constitution and the economy, Aphisit quoted Chuan as telling the Burmese foreign minister, who paid the premier a courtesy call at Government House. [no end quote as published]

So has Aphisit misinformed the press of what actually transpired between Chuan and Ohn Gyaw? Going by the government spokesman's intellectual capabilities and the way he has handled his public office so far, with a total sense of responsibility, there is a very slim likelihood that this was the case.

The main problem is still with the foreign ministry, which adheres to the so-called Asean "consensus" over Burma and does not want to see Thailand stepping out of line with its neighbours. That the prime minister on Monday implied Thailand dared to be different from its Asean counterparts for the sake of humanitarian reasons and the protection of human rights in Burma, was totally unacceptable to the ministry's bureaucrats and the country's national security apparatus.

Asean members Indonesia and Malaysia, although Muslim countries, currently seem more willing to invest in the Rangoon military regime's money-making enterprises than raise concern over the fate 200,000-300,000 Rohingya refugees being forcefully repatriated from Bangladesh. The Golkar, the Indonesian military's own form of ingrown presidency and one-party, seems to have found its first offspring, or clone, in the State Law and Order Restoration Council's (Slorc) national convention. Singapore on the other hand has long been involved in supplying light weapons and ammunition to the Burmese junta and Thailand deals with the Slorc in the name of "constructive engagement."

The sad thing is many of these Asean governments want Aung San Suu Kyi, who still embodies the struggle of the pro-democracy movement, forgotten by the world. The Nobel Peace Prize Laureate is in her sixth year of unlawful house arrest, yet her detention has failed to move the conscience of Asean, who still regard Suu Kyi's position as an internal matter of Burma.

Certainly, the cue must be taken from the United States which said on Wednesday that Washington would rather wait and see whether a renewed effort toward constructive engagement with the Burmese regime will be helpful to usher evident and concrete reforms in Burma.

U.S. Assistant Secretary of State Winston Lord, after meeting Asean foreign ministers at the Post-Ministerial Conference, said the United States will continue to have a different tactical approach than Asean and some other countries, including Australia, New Zealand and the European Union, which are moving toward dialogue with the Slorc.

Lord stressed that it would be helpful to set a benchmark of progress to measure the improvements in human rights in Burma before engagement with Rangoon.

Without doubt that benchmark of progress must be the unconditional release of Aung San Suu Kyi and all other political prisoners, and recognition of the May 1990 elections in which Suu Kyi's National League for Democracy won the majority of seats in the National Assembly. Only after these are achieved can there be serious dialogue with the Burmese junta.

The Burmese junta, in an obvious move to get maximum exposure at the Asean Ministerial Meeting, said it would hold dialogues with the United Nations and Suu Kyi. Now, it is up to the Slorc to match these rhetorical promises with concrete action.

Strong hopes have been expressed over the week that Asean would prod the Burmese military regime to change its ways and become less brutal. Indeed, experience to date has shown Asean's constructive engagement with the Slorc has only allowed the military regime to carry out more crimes against the Burmese people because of the economic and political support the junta has received from the regional grouping.

Asean must be responsive to international calls and force the Slorc first to release Aung San Suu Kyi and all political prisoners unconditionally, toe the line of democracy and respect human rights before there can be economic cooperation. If the regional grouping fails to deliver on these key points, it will be accused of promoting repression in the region.

ASEAN Military Information Exchange Approved

BK3107143794 Bangkok THE SUNDAY POST in English 31 Jul 94 p 3

[Text] An ASEAN agreement to share military information should pose no problems of compliance from the Thai military as it would not affect national security and state secrets, Defence Minister Wichit Sukmak said yesterday.

He said the Foreign Ministry had consulted the Defence Ministry about the agreement reached at the ASEAN foreign ministers' meeting in Bangkok last week.

"As the foreign minister told Parliament, I think we will be ready to answer ASEAN in a report by August," Gen Wichit said.

Gen Wichit said information on arms purchases was already public since it must be reported to an international controlling body at the United Nations.

"I don't think it should be a problem. It will just be a matter of forms that have to be filled out and only some types of arms purchasing will be reported while such information is already generally known," Gen Wichit said.

He said the Burmese military offensive against forces of drug warlord Khun Sa had been temporarily halted and should not affect the economic quadrangle project involving Burma, China, Laos and Thailand.

The annual military reshuffle list was being coordinated by the Supreme Command and the Armed Forces. Many senior officers would retire this year, he said.

Gen Wichit said the Defence Council would have to be consulted about a proposal to appoint the country's first woman general, in order to work out her duties and responsibilities.

Article Reviews ASEAN Regional Forum

BK3107150494 Bangkok THE SUNDAY POST in English 31 Jul 94 p 18

[Article by Peter Maitri Ungphakon: "How Effective is the ASEAN Regional Forum?"]

[Text] New Zealand's deputy prime minister and foreign minister, Don McKinnon, did not hesitate when he was asked to assess this year's ASEAN ministerial meetings.

"The best," he replied instantly. He is becoming a veteran of the oddly-named Post-Ministerial Conferences that ASEAN holds annually with its dialogue partners. This year's was his fourth.

Like many other participants, Mr McKinnon was particularly impressed with the inaugural meeting of the ASEAN Regional Forum on security, not only because a new means of releasing pent-up regional tension has been created, but because the informal atmosphere of the forum's sessions persisted, turning the more formal post ministerial conferences into comradely dialogues.

The format developed by Thai Foreign Minister Prasong Sunsiri and the Thai officials made the security forum "exceptionally conducive" to discussions, he said.

Assistant U.S. Secretary of State Winston Lord said he was perplexed by so much media coverage of Burma during the meetings. As far as he was concerned, by far the most frequently-raised issue during the talks was the non-proliferation of nuclear and other weapons of mass destruction, one of the topics of the security forum.

Perhaps it depends on who spoke to whom during those four days of dialogue. The Americans pointedly did not talk to Burmese Foreign Minister Ohn Gyaw. Australian Foreign Minister Gareth Evans did; and he had a lot to say about Burma, including his new list of "benchmarks" that would be used to measure how far Burma had gone in introducing internationally-accepted reforms.

But there is no question that this year's meetings in Bangkok will have a special significance in ASEAN's history and that the ASEAN Regional Forum will be the reason. The judgment of history could go either way.

If the ASEAN Regional Forum lives up to its modest expectations, then the first organisation for discussing, resolving and preventing Asia-Pacific conflicts will have been created. If it fails, then that too will be important, a pessimistic downturn that proves the sceptics right. With meetings so far scheduled only once a year, it will not be able to serve as a rapid-deployment troubleshooter.

The real crunch will be in Brunei next year when the participants—the ASEAN six, Australia, Canada, China, the European Union, Japan, South Korea, Laos, New Zealand, Papua New Guinea, Russia, the United States, and Vietnam—have to reach decisions on the ideas that were put on the table in Bangkok on Monday.

It is in Brunei that they will have to decide whether to implement proposals for making defence policies more open, creating greater confidence, curbing the spread of nuclear and conventional weapons, developing "preventive" diplomacy, and setting up a regional peace-keeping centre. But it is Bangkok that will be remembered as the starting point.

From ASEAN's point of view the historical significance is not only that a new regional security forum has been set up. The forum could change ASEAN's own role. ASEAN has become the core of a body that brings together many past enemies, and many countries that could become enemies in the future. This contrasts with one of the labels that used to be heard regularly as a description of ASEAN "the group of anti-communist Southeast Asian countries".

In other words, ASEAN could develop from a group of partisan protagonists in regional conflict, into mediators of a kind. Canada, one of the world's most experienced countries in peace-keeping, negotiation and confidence-building, is particularly keen to develop this side of the ASEAN Regional Forum, with proposals submitted on preventive diplomacy and conflict management as well as nuclear nonproliferation.

The change is also reflected to some extent in one of the issues that has dominated ASEAN for years—Cambodia.

Again, ASEAN used to play the role of protagonist, opposing the Vietnamese-installed government and supporting the three coalition parties on the other side.

And again it could be argued that the discussions on Cambodia in ASEAN forums have in the past two years or so shown a shift toward conflict-resolution, away from the active support of the resistance, and toward the recognition that a legitimate government is now in place in Phnom Penh.

Cambodian conflict is now treated in ASEAN meetings as an internal Cambodian affair that ASEAN could try to help resolve rather than an international threat to the region and to ASEAN.

The Cambodian peace talks and the Paris peace agreement, were part of the process. This year's Post-Ministerial Conference discussions on Cambodia seemed to take international coordination efforts one step further even if ASEAN was not too enthusiastic about some of the ideas; and the old adversary in Cambodia, Vietnam, is now on the brink of ASEAN membership.

However, the shift is not straightforward, and it might not last. For one thing, the line between mediation and taking sides is not always clear. Officially, Baghdad was bombed by UN forces in 1991, for example.

For another, some of the talk about coordinating actions in Cambodia included proposals for beefing up the Phnom Penh government militarily, through training, reorganisation, a crackdown on corruption and even the possibility of supplying arms. The United States said it was discussing military aid with Australia, France and Malaysia, but not specifically Thailand.

Sqd Ldr [Squadron Leader] Prasong warned that aggressive outside support for the Phnom Penh military could provide fodder for Khmer Rouge propaganda. In other words, some of the ideas proposed are being seen by some people as too partisan.

Most participants at the Post-Ministerial Conference seemed to agree with the Thai foreign minister that the best way to settle the conflict would be to improve the civilian, and particularly the economic, side of the Phnom Penh government in order to make Khmer Rouge complaints invalid. Those considering arms supplies such as the United States also took that view.

Thirdly, some ASEAN members already have a long history individually of participation in international attempts to resolve conflict, and keep the peace.

This is particularly true of Indonesia, a member—alongside Canada—of peacekeeping attempts during the Vietnam War, a bridge between ASEAN and Vietnam during the Cambodian conflict, and now active in "preventive diplomacy" through the organisation of technical workshops on the South China Sea. Those workshops are designed to encourage the six countries with rival claims to the Spratly islands to sit down and discuss less controversial aspects of the area such as pollution control before they eventually talk about sovereignty.

Malaysia, too, is participating in United Nations peacekeeping operations for example in Bosnia-Herzegovina. (Thailand participated in the UN's Gulf War forces whose impartiality was doubtful.)

Therefore, if there really is a shift in ASEAN's role in regional conflict, it will be a shift for ASEAN as a group, not as individual countries. The fact that some ASEAN members are potential participants in regional conflict, over the Spratlys for example, does not reduce the impact of ASEAN's new security forum. The forum's potential importance lies in the very fact that it contains countries who could start shooting at each other, and ASEAN can take credit for having brought them together.

In fact ASEAN does have a modest track-record in helping resolve international conflict. Since 1986 when the Uruguay Round of world trade talks began, ASEAN has from time to time joined forces with other developing countries in successfully achieving compromise in the trade negotiations, between hardline Third World countries such as Brazil and India, and industrial nations, particularly the United States.

The questions being asked about the future effectiveness of the ASEAN Regional Forum therefore focus on five issues.

One is whether a country as powerful militarily as China will bother to pay attention to what others say in the forum. On the negative side is China's recent legislation allowing it to use force to defend its Spratlys claim, its actual deployment of forces, and its rejection of multilateral talks to discuss the claims. On the positive side is the observation of Mr McKinnon and others that Chinese Foreign Minister Qien Qichen was uncharacteristically relaxed in the discussions on Monday. Another is whether the absence of countries involved in the main areas of conflict will allow the forum to do anything meaningful. Four topics were repeatedly mentioned: Cambodia, the South China Sea, Burma and Korea. Absent were, Cambodia, Taiwan (a Spratlys claimant), Burma and North Korea.

The four could eventually join. Most participants seemed to regard Cambodia as the most likely first new member. The others are more controversial.

A third question is whether the forum can remain informal, or whether it needs a more formal side. Mr McKinnon is one who believes that at some stage formality will be needed, perhaps in parallel to the casual discussions.

The fourth issue is the forum's inherent contradiction. While participants are talking peace, many, including those in Southeast Asia, are on a military spending spree. That fact could serve to emphasise why the forum is needed, but it also raises questions about participants' willingness to practice what they preach.

Related to this is the question of whether defence ministries and the military should be brought into proceedings. Already defence officials have participated in preparatory talks. This raises the possibility of defence ministers participating in the forums themselves, and even of meetings of ASEAN defence ministers.

Three other points emerged from last week's meeting that could have a historical bearing on ASEAN. One is the decision to start membership talks with Vietnam, talks that began on Wednesday, the final day of the Post-Ministerial Conference.

The aim is for Vietnam to submit a formal application before next year's ministers' meeting in Brunei in July so that the ASEAN summit in Thailand in December can formally approve Vietnam's membership. But some substantial issues remain to be settled, particularly short-staffed Vietnam's ability to participate in all ASEAN activities, and also in the ASEAN Free Trade Area programme..

The second is the narrowing of gaps on Cambodia, if not entirely among ASEAN members, certainly among its dialogue partners who now say they will coordinate their activities through their embassies in Phnom Penh.

Third is the rethinking on Burma. To some extent this was a matter of mood rather than concrete decisions. Several participants from several ASEAN and non-ASEAN delegations felt that there was a change of atmosphere signalling a greater willingness to talk to Burma even if only to tell the Rangoon government directly just what other people think about it.

While Australia announced it was reviewing its policy, others denied that there was any change in their policies. The European Union said all along it favoured "critical dialogue"—a tougher version of ASEAN's "constructive engagement"—and the United States said it was up to Burma to make the changes that would encourage Washington to talk to Rangoon.

Thailand hosted Burma's presence at the ASEAN meetings—but with ASEAN approval and then Prime Minister Chuan Likphai issued what is being seen as a polite reminder that the world wants Aung San Suu Kyi released.

Mr Lord of the United States rejected any notion that his government had decided to play the role of "nasty cop" while others such as ASEAN and Australia are "nice cops".

Nevertheless, the blend of approaches evident in Bangkok last week creates some intriguing prospects for the future. Sqd Ldr Prasong and his deputy, Dr Surin Phitsuwan, argued that Rangoon had been listening intently while Mr Ohn Gyaw was in Bangkok. Whether Rangoon heard cops' voices or those of the resource-hungry robbers, only history will tell.

Difficulties of Business in Cambodia Discussed

BK0108112394 Bangkok BANGKOK POST in English 1 Aug 94 p 6

[By Naowarat Suksamran]

[Text] Nothing is certain in doing business in Cambodia. Many Thai investors have learned that lesson well.

Since political uncertainty and ongoing changes of regulations are common in Cambodia, it is not unusual for people to see their wealth vanish or to become millionaires overnight.

"We can trust Cambodians until noon only," says a Thai investor who declined to be named.

Thai businessmen involved in cross-border trade worth more than 10 million baht agree favouritism extended by Cambodian authorities and individual luck play a key part in deciding whether good fortune awaits.

Chat Phatthana Party MP for Trat Thanit Traiwut, the first Thai businessman to import logs from Cambodia, concede that business success in Cambodia depends on close personal contacts with the authorities.

"Apart from that, money is the name of the game in doing business in Cambodia," he says.

Although having firm links with Cambodian officials, Mr Thanit has not been spared misfortune.

"After changes of government and policy in Cambodia, I lost about 300 million baht in logging deals," he says.

Many other Thai investors joined him as business losers.

Somphon Sahawat cancelled his plan to build a casino in Koh Kong. Some others scrapped their investments in public utilities and tourism.

A luxury cruiser, the Mittaphap-Burapha (Friendship of the East), a joint venture between Thais and Cambodians which was registered in Koh Kong Province, cannot operate near Kompong Som because of the risk of arrest by officials.

The same problem occurs for trawlers of joint Thai-Cambodian ventures registered in Koh Kong.

"These ships may be caught anytime depending on the mood of local officials," a source says.

Luxury cruisers have often been used to accommodate senior Thai officials on border inspection tours.

Since no charge could be made, owners of the vessels needed to offset oil and food costs by smuggling contraband such as liquor and cigarettes into Thailand, the source says.

Despite witnessing difficulties for most Thai investors in Cambodia, many see fortunes to be made there and are willing to Play with fire.

Business prospects earlier looked bright with the construction of a road from Ban Hat Lek in Trat's Klong Yai district to with Dang Tong district in Koh Kong, in exchange for wood from Cambodia.

Taxis have also been operating from Ban Hat Lek to Khun Chhang Village in Koh Kong.

Some Thai investors have been building fibreglass boats, which can seat two to six passengers, and selling them to Cambodia for 40,000 to 60,000 baht each.

When old faces withdrew from Cambodia, new Thai investors flowed in, among them the Chao Phraya Irawatdy Co which was awarded a contract to export 120,000 cubic metres of logs.

The company received special approval from the Phnom Penh government and the Defence Ministry to take out the logs without a certificate of origin. But there were rumours it had to pay a huge sum for the privilege.

"Those rumours were true," a key company member says.

A high-level company source says the issue of the certificate in Cambodia is complicated and takes a long time. Money has to be paid to those concerned at almost every step.

The company later had to pay the Khmer Rouge, as the owner of the logs, and Thai officials to assist cross-border shipment of the wood, according to the source.

The source says the company believed that sending the logs by sea to Malaysia and Indonesia, with the certificate then issued there, would be the best method.

Although enjoying certain privileges, the company is uncertain about its business future in Cambodia.

"The contract was just like a piece of paper," a company executive says.

The management agrees the situation in Cambodia is not stable, owing to the lack of solidarity in the Phnom Penh government and the Khmer Rouge's refusal to reconcile with the administration.

The company, believing war will break out soon, has been stepping up its shipment of logs as much as possible, the executive says.

His company used to carry out logging in Burma.

"Burma provided a lot more business certainty than Cambodia," he says.

Wichai Charatkulangkun, owner of Sin-udom Surin Co, which has contacts with the Khmer Rouge and the Phnom Penh government, also learned doing business in Cambodia is not easy.

His company won a contract to build several roads in Cambodia at a total cost of 300 million baht, sponsored by the United Nations.

Mr Wichai, however, claims Cambodia's co-prime minister Prince Norodom Ranariddh still owes him 14 million baht for construction of a road and an airport at a palace opposite the Thai border province of Surin.

He says he has asked the prince several times to pay the debt but to no avail. Another letter will be sent to the Cambodian co-premier soon and, if nothing happens he will file a complaint with the Thai Foreign Ministry.

While his company was building roads in Cambodia under a government contract it suffered from terrorist acts and extortion.

"It was different with the Khmer Rouge who always kept their word," he says.

Agreement With Malaysia To Deport Suspects

BK0108104494 Bangkok BANGKOK POST in English 1 Aug 94 p 6

[Text] Thailand and Malaysia have agreed to deport suspected drug traffickers who hold dual nationalities back to the country where the crime was allegedly committed for legal action, Narcotics Suppression Bureau commissioner Pol Lt-Gen [Police Lieutenant General] Somchai Milintrangkun said over the weekend.

For instance, he said, if a suspected drug offender committed an offence in Malaysia and then escaped to Thailand his Thai citizenship would be withdrawn and he would be deported to Malaysia to stand trial as requested by Kuala Lumpur.

This would also be applied if the crime was committed in Thailand, he added.

Thai and Malaysian police met in Chiang Mai last week to discuss the economic and social impacts of drugs and the problem of offenders holding both Thai and Malaysian citizenship.

Pol Lt-Gen Somchai said cooperation from Malaysian police had virtually stopped the smuggling of ascetic anhydride, a chemical used in the refining of morphine into heroin, from Malaysia through Thailand and finally to the Golden Triangle where the bulk of the heroin in the region is produced.

There was evidence drug gangs had managed to smuggle the chemical through southern China into the Golden Triangle, he said.

Cooperation from China to stem the flow of the chemical will be sought, he said.

Hmong Tribesmen To Be Repatriated to Laos

BK3107145794 Bangkok THE SUNDAY POST in English 31 Jul 94 p 4

[Text] The Interior Ministry and the National Security Council [NSC] will move 8,000 Hmong tribesmen at Wat Thamkrabok to a former refugee camp in Nakhon Phanom in the next two months, a ministry source said yesterday.

The Hmong are considered by Thai authorities to be illegal immigrants and have been staying at Wat Thamkrabok in Saraburi for more than two years.

They initially came to receive treatment for drug addicts from Phra Chamrun Phanchan, the abbot of the temple.

The NSC will ask the Government to improve Ban Na Pho Camp which will be used to house the Hmong.

The ministry and the NSC decided to go ahead with the plan after Laotian delegates and the United Nations officials attending last week's security meeting agreed with the Thai proposal.

The Laotian authorities also agreed to take the 8,000 Hmong back to Laos but after the repatriation of 12,000 Laotian illegal immigrants in Thailand who have been denied entry to third countries.

The source said the ministry would tell governors of Saraburi and other provinces to block the Hmong from going to the temple and to tell employers in those provinces to stop employing the Hmong from Wat Thamkrabok, or else they would face legal action for employing illegal immigrants.

The ministry has also ordered action against illegal Burmese immigrants in Chon Buri and nearby provinces after receiving a report that more than 100,000 of these were in Thailand.

Chinese Consulate Opens in Songkhla

BK2907125094 Bangkok XING XIAN RIBAO in Chinese 28 Jul 94 p 7

[Report by Special Correspondent Fan Shisheng from Hat Yai]

[Excerpt] The PRC Consulate in Songkhla was officially opened at 1030 yesterday. Chinese Assistant Foreign Minister Wang Yingfan, Songkhla Governor Yuwat Wutthimethi, Chinese Ambassador to Thailand Jin Guihua jointly cut the ribbon at the opening ceremony.

Ma Longshan, Chinese consul general to Songkhla, presided over the flag raising ceremoy himself. A number of 500 guests, including Deputy Permanent Secretary for Interior Wisut, Songkhla Governor Yuwat, senior officials from southern provinces, and chairmen and representatives of various social organizations from 14 southern provinces, attended the grand opening ceremony.

Consul General Ma aiso hosted a banquet for the guests at the JB Hotel in Hat Yai in the afternoon. [passage omitted]

Former Prime Minister Amnuai Registers Party

BK3007140494 Bangkok BANGKOK POST in English 30 Jul 94 p 3

[Text] Former deputy prime minister Amnuai Wirawan yesterday led a group of founders of the Nam Thai Party [NTP] to the Interior Ministry to apply for registration of his party.

The Nam Thai leader chose the auspicious time of 9.09 a.m. to submit the application form and other required documents to Deputy Permanent Secretary Chaiwat Hutacharoen who acted as political party registrar on behalf of Interior Permanent Secretary Ari Wong-araya.

It was believed Mr Ari was tied up with other official assignments.

Mr Amnuai received a warm welcome from ministry officials—a treatment far different from that given to other groups seeking registration.

Interior Minister Chawalit Yongchaiyut also sent his personal secretary, Maj-Gen Sonchai Montriwat to take care of the NTP leader.

Mr Amnuai said later the registrar officer would issue a document to certify his party's application in two weeks.

The party would then begin looking for members in each province so it could be officially registered as a political party.

He said this process would take about two months.

Mr Amnuai said most people invited to join the NTP were well-known people successful in their working and social lives.

They were those ready to sacrifice themselves in the public interest and would not only be paying a "lip service", he said.

He said he hoped the public would support the party.

"We realise we are still a newly-formed party, so we must be modest. It is impossible for us to gain popularity quickly", he said.

Among founders of the party are Prince Sukhumaphinan, former foreign permanent secretary, M.R. Kasemsamoson Kasemsi, retired senior government officials and businessmen, Chaloemchai Wasinon, Thaloeng Thamrongnawasawat, Praphanphong Wetchachiwa, Prasong Sukhum, Phongphan Samphawakhup, Phongsathon Siriyothin, Mrs Phamani Khachonbun, Warin Phunsiriwong, Witthaya Li-itsaranukun, Dr Wirot Suplinwong, Songkran Itsara, Somphon Klinphongsa, Kitti Thanakitamnuai.

Mr Amnuai denied claims by some politicians that his party was "ad hoc".

He said he wanted the Chuan Government to finish its four-year term.

He said the NTP preferred people with dignity who were politically "new blood" so people could have faith in its candidates.

The former deputy prime minister denied that the NTP gave out money and fish sauce to villagers in Khon Kaen when he went to give offerings to temples during his first campaign last week.

"When you make a merit offering, it means you have to hand out something so I see nothing wrong in giving the offerings," he said.

Maj-Gen Sonchai said he would not leave the New Aspiration Party to join the NTP.

If he did so Gen Chawalit might send him back to the Defence Ministry, he joked.

A political party registration committee chaired by Interior Ministry legal expert Chairuk Ditsatha-amnat will screen the party's application on Monday.

If approved, the political party registrar will issue a licence for the Nam Thai Party so it could start recruiting members.

A registration official played down remarks that the Nam Thai Party's logo, which features three arrows in white, red and blue, was improper because it imitated Thailand's national flag which uses the colours to represent the nation, the religion and the monarchy.

He said nothing was wrong with the logo considering the Chat Thai Party has the national flag as part of its logo.

Panel To Help Watthana Fight Drug Charges

BK3107140994 Bangkok THE SUNDAY NATION in English 31 Jul 94 p A2

[Text] The House committee on foreign affairs will find ways to help Chat Thai deputy leader Watthana Atsawahem defend himself against allegations made by the U.S. government that he had been involved in drug trafficking for over 20 years, the committee chairman said.

MP Krasae Chanawong (Phalang Tham-Bangkok), chairman of the committee, said he still considered it "improper" for the U.S. Embassy to have publicized the names of people whose visa applications were rejected on grounds that they were suspected of involvement in drug trafficking.

"The House committee will help Khun Watthana, a veteran politician who has had the trust of the public as an MP for a long time, to defend himself against the charges made by the U.S. authorities," Krasae said.

Asked to comment on Foreign Minister Prasong Sunsiri's statement to the House in a closed session that he had new evidence provided by the U.S. Embassy on Watthana's case, Krasae said:

"Squadron Leader Prasong did it without consulting the party. It was his personal affair."

He said Watthana could sue Prasong if he considered the foreign minister's action damaging to his reputation.

Deputy Interior Minister Suthat Ngoenmun said Thai law enforcement officials would take into consideration any evidence provided by the U.S. government before deciding whether it should initiate legal proceedings against Watthana.

On Friday, copies of a letter from the U.S. Embassy addressed to the Thai Foreign Ministry were made public. The letter says the U.S. government is prepared to send additional evidence and help in the investigation if the Thai government decides to take legal action against Watthana.

"Should the Royal Thai Government open a criminal investigation of Mr Watthana's activities, the U.S. government would be prepared to consider provision of assistance and additional information via the Mutual Legal Assistance Treaty," the U.S. Embassy said in a letter dated July 25 and addressed to the Thai Foreign Ministry.

The embassy said the letter was in response to the Thai Foreign Ministry's request on July 4 for additional information regarding the allegations made by U.S. law enforcement agencies against Watthana.

Foreign Minister Prasong Sunsiri read out part of the letter and additional information to the House of Representatives on Thursday during a closed session on the second day of the no-confidence debate.

Central Bank Governor Views Lower Inflation

BK0108104794 Bangkok THE NATION in English 1 Aug 94 pp B1, B2

[Text] Chiang Mai—Bank of Thailand Governor Wichit Suphinit believes the inflation rate for 1994 will be below the revised forecast of 4.8 per cent with the GDP growth rate being higher than the target of 8.0 per cent.

The central bank governor said the main factor attributing to higher growth is the fast economic recovery in the United States, Japan and Germany—all of which are major markets for Thai products.

"Their purchasing power will be higher and that will slightly raise our export volume," he said in an interview with THE NATION.

In the central bank's view, the country's inflation situation is not worrisome considering the economic growth of 8.0 per cent. The inflation rate for the whole year is revised up to 4.8 from 4.2 per cent due to the higher figure in the first half of 4.9 per cent.

The rate is higher mainly because of supply factors and not demand (cost-pushed as opposed to demand-pulled inflation), Wichit noted.

According to the recent revision, the 1994 consumer price index (CPI) for food stuff is expected to rise by 6.1 per cent compared to the previous year's while the non-food CPI is 3.9 per cent. Earlier, the central bank forecast both items would touch 4.2 per cent.

Despite the 4.8 per cent inflation rate in the first half of this year, in the second half, the rate is expected to fall to 4.5 per cent. Conclusively, the inflation rate will not be as high as 4.8 per cent as forecast.

Wichit did not anticipate the rise in farm product prices will have a significant impact on inflation: agricultural products are priced 10 per cent higher than last year's and that will benefit farmers whose incomes were diluted by 12 per cent in 1993.

Wichit admitted the central bank has expected a significant rise in inflation since the end of last year, but said: "We didn't announce that to the public for fear that it would spur an inflationary expectation."

The expectation could lead businesses to take action to cope with the frightening situation such as raising salaries or product prices. That would make the situation get worse.

Foreseeing the trend, the central bank has launched measures to curb that. Among other things, in February it required commercial banks to boost their capital fund from 7 per cent to 7.5 per cent of the total risk assets by this year's end. Later, it ordered banks to control their lendings.

Despite the higher inflation figures, the central bank will not launch any prevention or remedial measures.

"The measures will only disturb the private investment and consequently the overall economic growth rate. That will pose a problem to the country's economy in the next years."

On the demand front, the Bank of Thailand has seen a slightly shrinking demand for investment funds: the central bank has revised the loan growth figures from 21.7 to 21.5 for 1994. Last year, the growth was 23.2 per cent. Deposits have also decreased. During the first six months, financial institutions posted a 17 per cent growth in deposits against the 19.6 per cent projection.

"Savers have shifted their money to financial papers," said the governor who noted that the country's higher-than-expected economic growth should have been witnessed in the first quarter for four major reasons.

First, the export figures during the first six months rose by 24.3 per cent from the same period last year, compared to the projected 14.5 per cent. The higher figures were however balanced by increases in imports.

Second, the growth rate in the tourism sector also dropped and the Bank of Thailand is going to revise the growth rate this year from 12 per cent to 6 per cent.

Third, the budget surplus of Bt60 billion, higher than the projected Bt45 billion, indicated that funds were sucked out of the market and into the government's pocket. For example, the Excise Department posted a 14.5 per cent income increase during the six-month period, compared to the 12 per cent estimate.

Lastly, private investments from both the public and private sectors were below expectations: foreign investment grew by 6.6 per cent compared to the 7 per cent forecast, while local investment increased slightly due mainly to delays in several mass projects.

Prayun Thaloengsi of the Board of Trade expressed his satisfaction over the revised economic growth and inflation rates, commenting that the figures are reasonable.

Nevertheless, he noted the private sector should not let the rates go beyond the forecast as that will push up production costs and consequently disturb the overall economy.

"The Board of Trade will cooperate with the authorities to curb inflation via salary controls. But as banks are the key factor, if they do not make a move, other institutions will not."

—The Bank of Thailand has no policy to shake up its currency basket which weighs the Thai baht in accordance with key currencies in the basket which include the U.S. dollar, German mark and Japanese yen, said Governor Wichit Suphinit.

Benefit of Opening Insurance Market Noted

BK0108105294 Bangkok BANGKOK POST in English 1 Aug 94 p 36

[Text] The possibility of Universal Insurance Co, also known as Phaisan Insurance Co, becoming a recognised Thai insurance carrier is closer to reality as the International Economic Policy Committee has agreed in principle to allow the company to upgrade its 11 representative offices to branches in Thailand.

Deputy Prime Minister Suphachai Phanitchapak, who chairs the committee, said the move would stimulate competition within the insurance industry which would benefit Thai consumers.

The Commerce Ministry is outlining policies to liberalise the industry for foreign and domestic insurers.

Dr Suphachai said he has agreed to open the market, not for just Universal but on an across-the-board basis, and the opening should be sped up by five years instead of ten which he deemed too long.

The committee will seek approval from the Council of Economic Ministers today.

Late in 1992, Universal Insurance Co had sought permission from the Commerce Ministry to upgrade its 11 representative offices to branches to comply with the 1992 General Insurance Act. The act requires that representative offices be upgraded into branches—a move prohibited by foreign companies.

Universal's equity was 99.84 percent foreign-held and the ministry denied the request.

However, Universal protested that the company was originally a Thai company first registered in 1952, and foreign shareholdings increased later.

The company also persuaded the U.S. Ambassador to Thailand David Lambertson to meet government officials and defend its position under the 1966 Thai-U.S. Amity Treaty.

But the move was opposed by the Juridical Council which said the treaty should not be raised to protect Universal as the treaty had yet to become Thai law.

Under the Thai constitution, any treaty between Thailand and foreign countries becomes enforceable only after ratification in the parliament.

However, the Foreign Affairs Ministry holds that the treaty has already become enforceable.

Dr Suphachai noted that domestic insurance companies are incapable of insuring large contracts and that up to 80 percent of insurance coverage in Thailand is reinsured through foreign insurers.

Therefore, allowing insurance carriers to open or upgrade branches would strengthen domestic companies, said Dr Suphachai.

* Khamphoui Management of Economy, Development

94SE0172A Bangkok MATICHON in Thai 22 May 94 p 10

[Report by Sommai Paritchat: "After Pleasantries We Relied on Khamphoui, the Star of Lao Capitalism"]

[Excerpt] [Passage omitted] The office of the Committee for State Planning is the same as the office of the Deputy Prime Minister responsible for economics for the entire country, who is now Mr Khamphoui Keoboualapha, or, as he is called by the Thai who cross over into Laos often, "Uncle Khamphoui".

This is because he is a good person. He is informal and modern, which make him very popular with the Thai and foreign correspondents who travel to Laos. They meet with him often because he is responsible for various planning activities in the country, especially economic planning. He holds the position of Chairman of the Committee for State Planning but is more often known as the Deputy Prime Minister for Economics.

Officials met us and took us to wait at the reception room. In less than 10 minutes a man aged 60 with dark skin who was fairly plump entered the room and quickly shook hands with everyone before he asked us to take our seats. This has been the meeting place for many groups from many countries. [passage omitted]

"Laos has changed much since then. It plans to develope a free economy but worries that it will develope some of the problems of capitalist countries." I asked about the gulf which would quickly develope between various groups.

"We are concerned about this. Population studies must be done. The government is eager to develope education and human resources and is modifying the curriculum to suit a market system. To make education appropriate for a market economy, we must give it some attention at the primary and secondary levels and raise the level to which our children will study. The state system is not sufficient. We must allow the private sector to join in development also."

In talking about the new plan for the economy under a free, capitalist system, Khamphoui was very fluent. Previously I had heard from Thai correspondents who went back and forth regularly between Vientiane, Nong Khai and Udon that Khamphoui's efforts each day were aimed at developing the economy to conform with changes at the international level. Almost every morning he received summaries of changes in the world capital markets, currency markets and stock markets as well as on economic cooperation between countries and the development of various trading blocs.

As the person responsible for this work for the country, he had to keep track of all these factors constantly so that he could gauge the development of the Lao economy according to the economic plans adopted. Laos was in the midst of a 3 year plan lasting from 1991 to 1995. It had changed its economy to more of a market system and again allowed individuals to participate in investment and to own the factors of production with the advent of new economic thinking of the second economic plan which lasted from 1986 to 1990.

He had to take on this work, which was the heart of development for the country, because of his accomplishments after he assumed the position of Chairman of the Administrative Committee of Saravane Province, which is one of the principle provinces of the country. These include Vientiane Province, Savannakhet Province and Saravane Province. [passage omitted]

"A market economy needs trust. We have that to a certain extent, but the government must urgently control those cheating the people. This must be suppressed so that it does not spread." He always had a sense of humor. No matter how stressful his work, he did not show it. He was resolute and earnest.

Before saying goodbye to Khamphoui that evening he spoke of the effects of Laos' rapid development. He said that the expansion of the economy, which was the result of the open door policy of the government, affected the spirit of the people. "We must mobilize various levels of the people to join in developing the economy. It is certain that we will not all be rich, but we will not all be poor either."

These words of his made me think of a saying, the author of which I cannot remember, about capitalist economies to the effect that even though there were rich people and poor people, it was still better than all being poor. I still cannot decide whether this is true or not. [passage omitted]

Vietnam

KR Killing of Vietnamese Nationals Condemned

BK0108140394 Hanoi Voice of Vietnam in English 1000 GMT 1 Aug 94

[Radio commentary]

[Text] The Khmer Rouge [KR] have killed three Vietnamese nationals and taken hostage three Westerners from a train in Kompong Trach District, Kampot Province. Here is our radio comments:

The Vietnamese Embassy in Cambodia has sent a note to the Ministry of Foreign Affairs and International Cooperation, the Ministry of Interior, and the United Nations Human Rights Center in Cambodia, vehemently condemning the barbarous acts of the Khmer Rouge. Last Saturday, the Cambodian Royal Government also issued a statement denouncing the massacre by the Khmer Rouge. The statement reported in detail the incident and said: The Khmer Rouge on 26 July used B-40 and AK-47 guns to shoot at a train, killing at least 30 people, three of them Vietnamese nationals. Three Westerners—an Australian, a British citizen, and a Frenchman—were taken hostage.

The Khmer Rouge's acts against the Vietnamese residents and foreigners are part of a scheme to oppose the Cambodian people and government and the foreign residents in Cambodia. They reflect the unchanged barbarous genocidal nature of the Khmer Rouge. The Khmer Rouge have a brutal history of killing more than 3 million innocent people. It was the Khmer Rouge who opposed the implementation of the Paris agreement on Cambodia and the proposal for peace and national reconciliation.

The Khmer Rouge is isolated in Cambodia and in the international arena. It has been outlawed by the Cambodian Assembly, Government, and people. However, the Khmer Rouge has continued its sabotage activities against peace, economic reconstruction, and national reconstruction. It recently set up the so-called interim government, which is not recognized by the world. On the other hand, the Khmer Rouge continues to commit barbarous acts against Vietnamese residents and foreigners and to violate the laws of Cambodia and the world.

The statement by the Royal Cambodian Government said the recent attack against the Vietnamese residents and foreigners was aimed at opposing the Cambodian Government and people. The British Broadcasting Corporation commented that the incident showed that the Khmer Rouge leaders still stuff their troops' and their followers' heads with hatred against Vietnam. Australian Foreign Minister Senator Gareth Evans said that it is necessary to bring those held responsible to trial and that the Australian Government vehemently condemns the barbarous acts of the Khmer Rouge.

Observers said that the Khmer Rouge captured two Australians and one Frenchman [nationalities as heard] because Australia, the United States, and France were the first countries to support the Cambodian Government and to consideremilitary assistance to the Cambodian Government to fight against the Khmer Rouge.

Foreign Minister's ASEAN Activities Reported

BK3007143594 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 28 Jul 94

[Text] During the 27th ASEAN [Association of Southeast Asian Nations] foreign ministers conference and the ASEAN regional security forum in Bangkok, our Foreign Minister Nguyen Manh Cam paid courtesy calls on Thai King Phumiphon Adunyadet and Thai Prime Minister Chuan Likphai.

At the courtesy call, the king recalled his memorable meeting with Party General Secretary Do Muoi who visited Thailand in October 1993. He also thanked Vietnam for the warm and solemn reception the Thai prince and the princess had received during their visits. The king also expressed his wish that ties between the two countries would be further consolidated and developed.

During and after the conferences, Foreign Minister Nguyen Manh Cam also had meetings and exchange views with the Lao Foreign Minister Somsavat Lengsavat, Malaysian Foreign Minister Abdullah Ahmad Badawi, and Brunei's Foreign Minister Prince Mohamed Bolkiah. At the meeting with Prince Mohamed, Foreign Minister Nguyen Manh Cam reiterated President Le Duc Anh's invitation to Sultan Hassanal Bolkiah, and Prince Mohamed to visit Vietnam. The prince thanked him for the invitations, and promised to make arrangements for his visit.

Foreign Minister Nguyen Manh Cam also had a meeting with the Australian Foreign Minister, Japanese Foreign Minister Kono, Canadian Foreign Minister Andre Ouellet, German Foreign Minister Kinkel, and Van Den Broek, European Union external relations commissioner.

In the meeting with (?Man Hutun), representative of the United Nations Development Program, both sides agreed to complete the arrangements for signing the Mekong River Cooperation Program Agreement soon. Foreign Minister Nguyen Manh Cam left Bangkok today for Hanoi.

Ministry of Trade Delegation Visits Japan

BK0108112694 Hanoi VNA in English 0659 GMT 1 Aug 94

[Text] Hanoi VNA August 1—A delegation of the Ministry of Trade led by Vice Minister Ta Ca has recently attended the 75th meeting of the Japan Executive Managers' Association (JEM).

Speaking at the meeting, Vice Minister Ta Ca introduced Vietnam's policy of renovation and business potentials and opportunities, and called for further investment and trade activities in Vietnam by Japanese companies.

While in Tokyo late last month, the Vietnamese delegation met with Minister and Vice Minister of International Trade and Industry R. Hashimoto and T. Tanihata respectively, Deputy Minister for Foreign Affairs K. Saito, Chairman of the Chamber of Commerce and Industry K. Ibana and Chairman of the Japan External Trade Organization (Jetro) T. Toioshi. The two sides discussed measures to promote trade relations and investment between the two countries in the time to come.

The delegation also attended a seminar on Vietnam's policy on trade and investment, which drew the participation of some 200 representatives from Japan's Government agencies, and companies. JEM together with the Vietnam Informatic and Commercial Centre under the Ministry of Trade set up a Bureau for Trade and Investment Development with Japan (BDP) in October 1993.

VNA Reviews Giap Visit to Cuba

BK0108153494 Hanoi VNA in English 1413 GMT 1 Aug 94

[Text] Hanoi VNA August 1—General Vo Nguyen Giap left Cuba on July 30, concluding his 15-day visit to Cuba at the invitation of General Raul Castro, minister of Cuban Revolutionary Armed Forces (FAR).

While there, General Giap toured a number of cultural and tourist places, and met with Cuban officers and soldiers. He attended a meeting on the occasion of the 41st anniversary of the attack upon the Moncada garrison and met with President Fidel Castro, General Raul Castro and other Cuban party and state leaders.

On July 28 Gen. Raul Castro, second secretary of the Central Committee of the Communist Party of Cuba (CPC) and first vice president of the State Council and the Council of Ministers, received General Vo Nguyen Giap. At the reception, Gen. R. Castro briefed Gen. Giap on the Cuban people's struggle against the United States' economic embargo and hostile policy towards Cuba, aimed at defending their national independence and the gains of socialism.

For his part, Gen. Giap informed Gen. R. Castro of Vietnam's current tasks and achievements recorded in the renovation process. The two sides expressed their wishes for the further development of the unshakable solidarity between the two countries.

Directive Issued on Illegal Imports Case

BK0108093194 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 30 Jul 94

[Text] From early February to early April, some Vietnamese businesses illegally imported 9,800 Dream II motorbikes through Haiphong and Saigon Ports. This action is in contrast to government decree No. 114 and circular No. 699 of the Trade Ministry, as well as national law. In the circular issued on 27 July, the Head Government Office reveals that Prime Minister Vo Van Kiet met with relevant authorities to discuss the case and concluded that this is a conspiracy to link with foreigners to smuggle in motorbikes for profit sharing with foreign smugglers, which seriously violates Vietnamese law.

In order to maintain public order in this domain, the prime minister orders that these measures be carried out:

—Regarding the Dream II motorbikes ordered by businesses who do not have contracts to purchase them, but have now been brought in by foreign partners and not claimed by owners, the Customs General Department will be in charge of completing procedures according to current law to confiscate the whole lot of motorbikes. All parties concerned, domestic and foreign alike, must be fully and accordingly advised.

—For the businesses which signed contracts with foreign companies and imported motorbikes without import permits from the Trade Ministry, administrative sanctions will be applied and the whole lot of motorbikes will be confiscated. The Interior Ministry, Finance Ministry, and the Customs General Department will complete necessary procedures to transfer the motorbikes to the Finance Ministry so they can be sold openly at market price. All proceeds from the sales will go to the national budget.

—Businesses found guilty of deception and seriously violating state law, or plotting with other individuals to carry out smuggling activities, must face responsibility according to criminal law.

—The relevant ministries and sectors, and people's committees of provinces and cities where these businesses are located, should conduct critiques on the responsibility of leaders of the businesses and suspend them from their positions during the investigations. The general directors and directors of the businesses who are found to have committed serious offenses should be immediately dismissed and not be allowed to occupy management positions.

—Ministers and other leaders of sectors and provincial people's committees concerned should also conduct self-critiques on management responsibility for these businesses.

The Ministry of Trade should conduct a self-critique on the responsibility of implementing the prime minister's directive on importing motorbikes, on failing to prevent the importation from taking place, and on issuing temporary permits for a 1994 import quota to the Forestry Mechanic General Company under the Forestry Ministry and to other agencies after the illegal importation had been known.

Critiques and firm measures must be applied to all authorities involved in the case, and all results must be reported to the prime minister.

Prime Minister Issues Decree on Bonds

BK3107064994 Hanoi Voice of Vietnam Network in Vietnamese 0500 GMT 29 Jul 94

[Text] Prime Minister Vo Van Kiet recently issued a decree to regulate the issuance of government bonds with details as follows:

—Treasury credit note: bond with an under-one-year term,

—Treasury bond: bond with an over-one-year term,

—Project bond: bond with an over-one-year term issued to raise capital for a specific project in accordance with the state investment plan.

The following people are allowed to buy government bonds:

—Vietnamese people in and outside the country,

—Foreigners working or living in Vietnam,

—Vietnamese business establishments regardless of business field or economic status, including commercial banks, credit organizations, financial companies, insurance companies, insurance funds, investment funds, mass societies and organizations, business establishments with foreign investment operated under stipulations of the law on foreign investment in Vietnam and the decree on banking activities, if approved by the Finance Ministry.

The government guarantees timely repayments in full amounts, including capital and interest, to owners of matured government bonds. Counterfeiters of government bonds will be punished according to the law.

Party Central Committee Holds Seventh Plenum

BK0108123294 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 1 Aug 94

[Communique of the seventh party Central Committee—date not given]

[Text] The seventh party Central Committee held its seventh plenum from 25 to 30 July in the capital city of Hanoi. Comrade General Secretary Do Muoi delivered important speeches at the opening and closing sessions of the plenum.

The plenum discussed and adopted the resolution on promoting industrial and technological development in the framework of the national industrialization and modernization program and the movement to build the working class in the new stage in order to accelerate the national industrialization and modernization program a step further in accordance with the orientations set by the mid-term national party conference.

The plenum elected Comrade Nguyen Van Tham as an additional member of the party Central Committee's Organ of Control. It also studied and decided on a number of other issues relating to the activities of the party Central Committee.

Prompted by high inspiration and singlemindedness, the seventh party Central Committee's seventh plenum has ended in success.

Security System for Southeast Asia Viewed

BK2907123194 Hanoi QUAN DOI NHAN DAN in Vietnamese 17 Jul 94 p 3

[Article by Hong Ky: "Building a New Security System in Southeast Asia"]

[Text] As far as Southeast Asia is concerned, after more than four decades of instability caused by confrontation and war, now there is an unprecedented chance to achieve peace and development. Nonetheless, this does not mean that the underlying factors of instability have ceased to exist. Meanwhile, because the end of the cold war has led to far reaching changes in order, mechanisms, and the balance of power and poses a danger to Southeast Asia, regional security now bears many aspects that are very different from the past.

Following the end of the cold war, the great powers that exerted impact on regional security for long periods of time have gradually lost their influence. Along with strong economic growth, regional countries have made quick progress, raised their profiles, and assumed many important tasks. Joint efforts to shoulder common tasks have brought strength and self-confidence to Southeast Asian countries. These fundamental changes have made regional countries more united and interdependent. The security of each country cannot be separated from that of the entire region, but must be closely linked with and complement regional security through an organic relationship. It goes without saying that the aggregate strength of a country or region constitutes a decisive security factor for that country or region. However, dialogue and cooperation will play an increasingly important role in bringing about security to each country or region.

In the past, when dealing with security, people touched only on the political and military aspects. Actually, it is security, politics, and military strength that decide and influence everything. At present, security in Southeast Asia has undergone fundamental changes. In his speech at the United Nations, Thai Prime Minister Chuan Likphai said: "Today, security has a broader meaning than before. The non-military aspect is more important than and prevails over the military aspect. Security is perceived more through confidence-building mechanisms rather than through defense or deterrence capabilities.... That security concept is very appropriate for the preventive diplomacy approach." Malaysian Defense Minister Najib maintains that national security is an all-inclusive issue because it covers the political, economic, and national defense aspects. A secure country must have a stable political system and strong economic and national defense capabilities. Unlike in the past, today's security must be all-around. The current international and regional developments also indicate that economic security plays an increasingly important role and constitutes a decisive factor. Political stability and social order depend largely on economic security and all these factors are bound together by a causal relation.

Southeast Asian countries have devised a new approach to ensure security and resolve conflicts. The Thai prime minister's preventive diplomacy concept is also shared by many regional countries. Positive efforts have been made by regional countries to promote dialogue and cooperation to resolve differences, mistrust, and new conflicts. Thanks to dialogue, they have achieved increased mutual understanding and mutual trust.

A new security system is taking shape in Southeast Asia, as are calls for efforts to build a new security structure to guarantee peace and development for the entire region. At the 26th ASEAN foreign ministerial meeting in Singapore in July 1993, ASEAN member countries agreed for the first time to hold talks on political and security issues. Also at that meeting, they set up the ASEAN Regional Forum (ARF) to study only regional security issues. The first ARF meeting is scheduled to take place on 25 July in Bangkok, Thailand with the participation of delegates from 18 countries inside and outside the region. ARF has been quickly welcomed not only by Southeast Asian countries, but also by most countries in the Asia-Pacific region. This is indeed the first joint effort of ASEAN to set up a security framework for Southeast Asia where very dynamic economic activities are taking place and where many underlying factors of instability still exist.

ARF has been set up but it is still too early to talk about a perfect security system for Southeast Asia. Anyway, thanks to the cooperation among regional countries, that security system has been set up to cover political, military, economic, and social issues. Politically, this is a very important move because it will help consolidate mutual trust and encourage regional countries to contribute constructive opinions. Militarily, it is necessary to work out measures to end the arms race, prevent military confrontation, and promote mutual understanding among armies of the region. Economically, close economic cooperation serves as an increasingly important factor to bind regional countries together and henceforth, guarantee better security. Furthermore, efforts to promote cultural and social relations can also contribute to getting rid of the mistrust that has existed for many years among regional countries. Of course, it is still a long and tortuous road to a new security system in Southeast Asia. To move forward, there must be travellers who maintain sincere cooperative ties, show mutual respect, and make joint efforts to work out practical and appropriate steps to follow.

Being a regional country, Vietnam shares the security concern of Southeast Asian countries and stands ready to participate actively in regional activities to build Southeast Asia into a region of peace, stability, cooperation, and development. During his visit to Thailand in October 1993, General Secretary Do Muoi issued a four-point statement pointing out Vietnam's readiness to participate in bilateral and multilateral talks among regional countries to work out effective measures to guarantee peace, stability, and security in the region. Vietnam is ready to take part in the regional security forum on the basis of guaranteeing each country's security, developing equal ties with each forum member country, and refraining from doing anything that affects a third country.

NHAN DAN Renovation Reported to Party

BK2907152894 Hanoi NHAN DAN in Vietnamese 14 Jul 94 pp 1,3

[Text] On 24 June 1994 the party Central Committee Secretariat heard the editorial staff of the daily NHAN DAN report on certain matters concerning the renovation and qualitative improvement of newspaper—the central press organ of the Communist Party of Vietnam. The secretariat reached the following conclusion on various issues:

1. In renovating the country and the press under the party leadership, the daily NHAN DAN has strived hard to renovate itself and achieve progress.

—The newspaper has helped reflect the party's views on various areas. It has committed mistakes but they are unremarkable. It has strived hard to surge forward to become a political and ideological banner of the party on the media front.

—The newspaper has gradually renovated the substance of its information dissemination in the direction of achieving promptness, diversity, and multidirection in accordance with set guidelines. Emphasis has been placed on propagating the positive aspects and new factors while struggling against negativism with specific targets.

—The newspaper has exerted certain efforts in renovating its writing form, formats, and presentation, thus enabling it to become more closely associated with the people and its readership.

—The contingent of cadres of the daily NHAN DAN have been able to gradually improve their political acumen as well as their professional knowledge and ethics. They have strived hard to meet requirements for renovation.

Nevertheless, the newspaper continues to display the following weaknesses:

—Its range of information is still not copious and diverse. In certain cases, the dissemination of information has not been timely. Its weakest point is that it still lacks politically and ideologically significant articles, which deal profoundly with important and urgent matters of everyday life. Animated reports that are truly reflective of the renovation are still not numerous, while propaganda articles and commentaries on international affairs are still not insightful enough. Its cultural and artistic section is not up to the level required of a party newspaper and has, in certain aspects, dropped qualitatively.

—The newspaper still carries too many lengthy reports on ceremonious activities in a way that is not in line with the characteristics of the Secretariat's Directive No. 19. Its writing style and presentation lack liveliness. Its print quality is still poor and photograph presentation not good enough. That is why the newspaper is not attractive, particularly to youths. The newspaper's circulation is not large, particularly in the southern provinces.

—A number of its correspondents have failed to promptly improve their general knowledge, behavior, and professionalism to meet requirements of the modern press in the new stage. The newspaper's contributing writers program has not been handled satisfactorily, while efforts to answer readers' queries have not been put onto the right track, thus adversely affecting efforts to seek intellectual contributions from the public to improve its quality.

2. As for the orientation and targets for the period ahead, the daily NHAN DAN must:

—strive to become a political and ideological banner of the party on our country's media front and an effective tool for the dissemination of policies and lines as well as the introduction of the state law into everyday life.

—skillfully reflect the party views in various areas of work in society; promptly detect and cite new and positive factors; flexibly struggle to iron out irregularities; fight negativism and social evils; and strive to become a true forum reflective of the will and the legitimate aspirations of the people.

—renovate its writing style and presentation, its print quality, and its distribution.

Generally speaking, all we have to do is to ensure that the newspaper has accurate information and looks impressive. It must attract readership nationwide.

—It is necessary to actively train and providing additional courses for the workers of the party newspaper to help them remain firm politically, acquire a vast knowledge, understand more profoundly the country's every-day life and the world situation, become well-versed in their profession, and build for themselves pure professional ethics and the ability to meet the present and long-term requirements for the revolutionary undertaking. Favorable conditions must be created for its correspondents to remain in closer touch with the reality of the country's revolution and to broaden their communications with the world. Attention must be paid to turning out good writers capable of building for themselves a name among a broad section of readers.

—Scrupulous efforts must be made to expand the network of contributing writers in various areas through the introduction of appropriate fees. This is to draw as much as possible the wisdom of the entire party and people into efforts to renovate the substance of the information provided by the newspaper and improve its overall quality.

—It is necessary to reduce news about ceremonies in accordance with the Secretariat's Decision No.19. Together with the party Central Committee's Ideology and Culture Department, the newspaper must study and propose with the Secretariat to amend newly-issued decisions dealing with the need to further reduce the news on ceremonies to suit the current situation.

—Efforts must be made to broaden and consolidate the newspaper distribution system, trying to ensure that each party chapter obtains at least one issue and that every party cadre and member has a chance to read the newspaper. Party cadre affairs sections and the Post and Telegraph General Department are responsible for providing good guidance on shipping the newspaper manuscript to be printed in the southern printing houses.

—The Central Financial and Administrative Committee must go ahead and renovate the printing technology of the NHAN DAN and TAP CHI CONG SAN printing houses.

—The daily NHAN DAN may introduce more monthly features. However, it must make careful preparations and choose appropriate steps.

—As for NHAN DAN's anniversary, the Secretariat hereby assigns the Institute for the Study of Marxism-Leninism and Ho Chi Minh Thought to historically justify 21 June as the newspaper's anniversary date. The date of 21 June 1925 is the founding anniversary of the Daily THANH NIEN [Youth], the press organ of our party's precursor—the Alliance of Like-Minded Revolutionary Youth.

More Oil Exploitation Licenses To Be Granted

BK3107134294 Hanoi Voice of Vietnam in English 1000 GMT 29 Jul 94

[Text] The Vietnam Government announced on Wednesday it would grant licenses for the exploitation of oil in the eastern sea, following the discovery of two wells by Japanese and Malaysian companies. Vietnam has received a number of proposals from foreign companies for extracting the oil from these wells. The new finds are new to the oil fields being extracted already by Vietsovpetro, a joint venture between Vietnam and Russia.

Meanwhile, at least four commercial offshore oil discoveries in Vietnam by foreign oil companies will be announced soon. Petro Vietnam General Director Ho Si

Thoang also told reporters in Hanoi on Wednesday that an international oil show would be organized jointly with the Bangkok based Company Reed-Tradex in March next year. So far, the Vietnamese National Oil and Gas Corporation has signed 27 product sharing contracts with foreign companies, while experts say Vietnam now ranks fourth after Malaysia, Indonesia, and Brunei, in terms of oil potential.

Australia

Government Rules Out Ransom for KR Victim

BK0108021494 Melbourne Radio Australia in English 0100 GMT 1 Aug 94

[Text] Australia's Foreign Affairs Department says the federal government will not pay a ransom for the return of an Australian who has been kidnapped by the Khmer Rouge in Cambodia. The government has reiterated its no-ransom policy as officials in Cambodia received demands for the return of 29-year-old Melbourne man David Wilson and two other foreigners. The Khmer Rouge [KR] is asking $50,000 for the release of the three foreign hostages. Evan Williams reports:

[Begin Williams recording] The three foreigners are being held by a Khmer Rouge unit about 10 km from where they were taken during a guerrilla attack on a train last week. Prime Minister Prince Norodom Ranariddh says he has received a handwritten letter from the Australian setting out the guerrillas' demands for $50,000 ransoms. They are being held by the same group that took an American aid worker earlier this year. She was released after her agency paid a ransom of goods and food, and that may yet be enough to get these latest hostages released. [end recording]

Air Force Planes Leave for Rwanda

BK2807080294 Melbourne Radio Australia in English 0500 GMT 28 Jul 94

[Text] Two Australian Air Force planes have left for Africa with equipment and supplies for Rwanda refugees. The Hercules transport planes are carrying 32 tons of equipment and several tons of emergency food supplies, including high energy biscuits.

The planes took off from the Richmond Air Force Base near Sydney.

200-Mile Economic Zone Announced

LD0108083794 Melbourne Radio Australia in English 0700 GMT 1 Aug 94

[Text] Australia has declared a 200 nautical mile exclusive economic zone and a 24 mile continguous coastal zone, effective immediately. Australia's attorney general, Michael Lavarch, says the zones were foreshadowed and approved in principle at the 1982 Law of the Sea Convention. He says the economic zone gives Australia exclusive rights to explore, exploit, conserve, and manage living and non-living resources within 200 nautical miles of its coast. The contiguous zone, also known as territorial waters, has been doubled from 12 nautical miles, enhancing the ability of Australian authorities to fight drug smuggling and to enforce migration and quarantine laws.

Papua New Guinea

Government Accedes to Military's Strike Demands

BK2907103494 Melbourne Radio Australia in English 0500 GMT 29 Jul 94

[Text] The Papua New Guinea [PNG] Government has overruled its Defense Force commander and reinstated two majors suspended last week for leading a strike of naval and air force officers. Sean Dorney reports the government has also acceded to the strike demands, promising to pay outstanding allowances, address issues of service and housing conditions, and provide funds to keep military craft operational:

[Begin Dorney recording] PNG's defense minister, who had two days ago called the strike mutiny, now said it was justified and he and the finance minister have given in to the striking naval officers' demands, even to ordering an investigation into the management of the Defense Force. The finance minister says he will find the money to pay the sailors' operational allowances they claimed they owed.

It has been a highly successful strike, but it has further undermined the commander, Brigadier General Bob Dademo, and set an interesting precedent for PNG's military forces. [end recording]

New Zealand

Concern Over Possible French Nuclear Tests

BK3107105694 Melbourne Radio Australia in English 0800 GMT 31 Jul 94

[Text] The New Zealand Government has voiced concern over the possibility of renewed French nuclear testing at Mururoa Atoll. Prime Minister Jim Bolger said any such move would fly in the face of moves toward a permanent nuclear test ban treaty, while the disarmament minister, Doug Graham, said renewed French testing would be a disaster. They were reacting to a reported disagreement over nuclear testing between France's socialist president, Francois Mitterrand, and his conservative-controlled government. Mr. Mitterrand opposes ending the test moratorium that France has observed since 1992, while the French Government is under pressure from the military, which considers testing is vital if France is to remain a nuclear power.

Mr. Bolger said President Mitterrand has told him in Paris last month that would make it as difficult as possible for France to unilaterally resume nuclear testing. The disarmament minister, Doug Graham, said he hoped the comprehensive test ban treaty could be negotiated at the United Nations before Mr. Mitterrand left office next year.

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